



Fairfax County Internal Audit Office

**Department of Vehicle Services
Business Process Audit
Final Report**

March 2021

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Vehicle Services (DVS). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, monthly reconciliations, limited review of accounts receivable and revenue collections, and verifying compliance with Personnel/Payroll Administration Policies and Procedures (PPAPP). The areas covered in PPAPP included time/attendance system and controls, attendance/absence reporting, employee clearance record processing, credit check requirements for positions of trust, and procedures for completing criminal background investigations for employment in sensitive positions.

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

- The Department of Vehicles Services' Reconciliation Plan on file was outdated and needed revisions that should be approved by the Department of Finance. DVS will update the DRP with the current processes and submit the updated DRP for approval.
- Nine purchase orders were created and approved *after* receipt of the invoice. The purchases were for fuel outside of the county for county purposes. Action began in FY2020 to procure funds prior to receipt of invoice. DVS will ensure compliance immediately.
- The procurement card was used by two employees without a signed Employee Acknowledgment Disclosure (EAD) Form or a completed P-Card Training Certification Test on file. During the audit, IAO verified that DVS promptly updated the p-card Employee Acknowledgement Disclosure forms and certification tests, therefore, no follow-up will be performed for this item.
- Exceptions in the receipt documentation were noted in 12 out of 25 Marketplace, 12 out of 30 Purchase Order, and eight out of 35 Non-Purchase Order transactions. DVS requires that all packing slips and invoices be signed upon receipt of goods. This process has been updated and included in the procurement plan that was approved by DPMM.
- Weekly transaction reports for five out of the 60 P-Card reports were not printed timely. Additionally, one of the 25 Marketplace weekly transaction reports were signed, but not dated to evidence timely review. DVS will incorporate the Admin IV signature to indicate the initial review to satisfy compliance with County policy.
- The documentation of four out of 10 employee clearance record checklists tested was not complete. The DVS HRG1 will verify that checklists are sent out and received back. In addition, a copy of the checklist will be noted upon receipt and electronically filed in employee's records.

- Invoices for four sample transactions maintained on file were not paid timely. DVS streamlined the reimbursement process to ensure a timely payment. If there is a delay, DVS will document the reason.
- DVS did not have a signed copy of the Using Agency Director's Statement of Responsibility to Department of Procurement and Material Management (DPMM) prior to our audit. During the audit, IAO verified that DVS promptly updated the Using Director's Statement of Responsibility, therefore, no follow-up will be performed for this item.
- Our audit noted that credit checks for two individuals listed on the Positions of Trust List were not on file with the Department of Human Resources. Additionally, credit checks for two individuals listed on the Positions of Trust List were not up to date. During the audit, IAO verified that DVS promptly updated the credit checks, therefore, no follow-up will be performed for this item.
- We noted a control weakness in DVS's time entry and approval separation of duties process. DVS HR will audit time entries, looking for duplications of the same individual creating and approving time entries, by implementing a spot-checking process. In addition, DVS HR will follow up with the superintendents and staff to fix discrepancies, if any.
- There were several instances where a delegate HCM time approver approved compensatory time earned without proper supporting documentation. DVS HR will continue to audit comments for all OT/Comp and ensure time and approvals are not entered in by same person.

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 Department of Vehicle Services 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, open-ended purchase order, and non-purchase order transactions that occurred during the period of July 1, 2019, through June 30, 2020. For that period, the department's purchases were \$16,299,957 for procurement cards, \$27,539 for FOCUS marketplace,

\$23,452,522 for purchase orders, and \$ 30,972 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. Reconciliation Plan and Approval

The Department Reconciliation Plan (DRP) on file was outdated and not approved by the Department of Finance. The DRP on file was dated 2008 and did not include the current director or updated positions in the reconciliation process.

Accounting Technical Bulletin 020, *Financial Transactions Reconciliation*, states that each agency must develop a written reconciliation plan and obtain approval by the Department Director and DOF.

Failure to obtain approval for the department's DRP increases the risk that operating procedures may not be in compliance with county policy and contain significant internal controls weaknesses.

Recommendation: DVS should review the policy and make any necessary updates to the DRP and submit the updated DRP for approval from the Department Director and DOF.

Management Response: DVS will update the DRP with the current processes and submit the updated DRP for approval. Management anticipates completing this action by May 21, 2021.

2. Purchase Order Created *After* the Receipt of the Invoice

In our review we noted nine purchase orders that were created and approved *after* receipt of the invoice. The purchases were for fuel outside of the county for county purposes. Per DVS, agencies use a voyager card to charge fuel outside of the county. DVS receives an invoice for the fuel purchased and pays by purchase order. The invoice dates ranged from one day to five months before the purchase order date.

Agencies are required to create and approve a purchase order in FOCUS prior to

placing an order with a vendor. If an agency fails to process a purchase through a purchase order, they must comply with the provisions of PTB 12-1007, *Unauthorized Purchases/Confirming Orders*, and process the payment as a confirming order.

Failure to create and approve a purchase order in FOCUS prior to placing an order with a vendor circumvents the approval process, promises payment to a vendor for funds that have not yet been encumbered for that purpose, and prevents an adequate separation of duties. Additionally, purchases made without the signature of the County's purchasing agent are the responsibility of the purchaser should anything go wrong.

Recommendation: DVS should submit all PO procurement requests through FOCUS and have them approved prior to placing an order with a vendor. If an order is placed without an approved purchase order, DVS should comply with the remediation provisions of PTB 12-1007.

Management Response: Action began in FY2020 to procure funds prior to receipt of invoice. DVS will ensure compliance immediately. Management indicated this action was completed on July 1, 2020.

Note: *IAO noted that starting in FY20 DVS has changed the payment process and created a PO to secure the funds before the invoice is received. IAO will follow up after sufficient time has passed to be able to review enough transactions to determine that the process is consistently applied.*

3. Employee Acknowledgement Disclosure Forms

We noted that two employees used the procurement card without a signed Employee Acknowledgment Disclosure (EAD) Form or a completed P-Card Training Certification Test on file.

Procurement Technical Bulletin (PTB) 12-1009, Use of the County Procurement Card, requires that all first-time card users sign and date an EAD Form. A p-card user who signed an EAD form prior to implementation of the on-line p-card training program in 2007 is exempt from the p-card training. However, DPMM highly recommends it as it ensures awareness of p-card user requirements. The form acknowledges the employee's responsibilities regarding card use and sets forth consequences for misuse. The agency program manager is to maintain the signed forms for at least two years following the employee's departure from the agency.

When staff do not complete EAD forms and training, it increases the risk of misuse of the agency procurement cards.

Recommendation: The Department of Vehicle Services should ensure that each employee using a procurement card sign and date an EAD form, complete the training, and retain the forms on file.

Note: During the audit, IAO verified that DVS promptly updated the p-card Employee Acknowledgement Disclosure forms and certification tests, therefore no follow-up will be performed on this item.

4. Receipt Documentation

We noted the following exceptions when reviewing the receipt of goods and services purchased and/or ordered via Marketplace, Purchase Order and Non-Purchase Order.

- Marketplace: 12 out of 25 Marketplace Sample transactions reviewed did not have complete supporting documentation on file. The transaction was missing either the packing slip, invoice, or both. An additional five transactions did not have a signed and/or dated invoice or other documentation indicating who received the items and when they were received.
- Purchase Order: 12 out of 30 PO sample transactions reviewed were not supported by a signed and dated packing slip, invoice or other documentation indicating who confirmed receipt of goods/services and when it was confirmed/reviewed.
- Non-Purchase Order: Eight out of 35 Non-PO sample transactions tested did not have a signed and/or dated invoice or other documentation indicating who received/reviewed the goods or services and when they were received or reviewed.

Procedural Memorandum 12-16, *On-Line Procurement of Office Supplies*, requires that all agencies verify goods received against the packing list and the original order. The packing list should then be signed and dated to document proper receipt of goods. Financial Policy Statement FPS 630, Non-PO Payments, requires that agencies "ensure that all documentation (e.g., vendor invoice, exception approvals from the County Purchasing Agent (if warranted), etc.), are prepared, reviewed, and approved by the department prior to forwarding to DOF for processing and posting." The packing slip should be signed and dated to document proper receipt of goods.

Improper confirmation of receipt of goods/services increases the risk of payment for goods/services that were not received.

Recommendation: The Department of Vehicle Services should ensure that sufficient receipt documentation is maintained on file for all procurement card, FOCUS Marketplace PO and Non-PO transactions. If a packing slip is not included with the shipment, receipt of the ordered goods should be documented on the invoice or a separate receiving report with receiver's initials and date. All receiving documentation should be maintained on file with the supporting documentation for the transaction and received by an individual other than the purchaser/approver.

Management Response: DVS requires that all packing slips and invoices be signed upon receipt of goods. This process has been updated and included in the procurement plan that was approved by DPMM. Management anticipates completing this action by June 30, 2021.

5. Weekly Transaction Reviews

Weekly transaction reports for five out of the 60 P-Card Reports were not printed timely indicating delayed review. The print date on the weekly transaction reports were 8/3/20, but the reports were signed and dated 3/31/20 and 4/2/20. Additionally, one of the 25 Marketplace weekly transaction reports were signed, but not dated to evidence timely review. Furthermore, five out of the 25 weekly transaction reports were not signed and dated to indicate who reviewed them and when they were reviewed. Lastly, two out of the 25 Marketplace weekly transaction reports were printed timely, but not signed and dated timely. The print date was 1/8/20 but was signed and dated 2/25/20.

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.

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

Recommendation: We recommend the Department of Vehicle Services properly document the weekly review of procurement card and FOCUS Marketplace transaction reports which contain all items posted to the bank the prior week. Once the review is completed, the reviewer should sign and date the report to document the completion of the review.

Management Response: DVS interpreted the initial review by the Admin IV as the completion of the weekly review requirement, which would comply with county policy. DVS will incorporate the Admin IV signature to indicate the initial review to satisfy compliance with county policy. While the FS III signature is not required, it will continue to be recommended in the DVS business processes. Management anticipated completing this action by April 1, 2021.

6. Employee Clearance Record Checklists

We noted the following exceptions when reviewing the Employee Clearance Record Checklists:

- a. Three out of the 10 terminated and transferred employees sampled did not have a checklist on file. In addition, six out of the 10 checklists sampled were not fully completed. All steps on the checklists were not properly documented to indicate whether the step was completed.
- b. One out of the 10 checklists was not signed by the interviewer and/or the employee that was terminated/transferred, therefore timeliness could not be

determined.

- c. Responsibilities for completing the Employee Clearance Record Checklists were not included in the job/position description(s) for staff assigned to this function.

Per *Personnel/Payroll Administration Policies and Procedures (PPAPP)* Memorandum No. 33, *Employee Clearance Record*: "Departments are required to complete an Employee Clearance Record Checklist with each employee transferring from one department to another or leaving County service for any reason, employees receive a copy of the Employee Clearance Record Checklist and sign verifying receipt, and responsibility for completing Employee Clearance Record Checklists must be included in the job description(s) for staff assigned to this function."

Failure to maintain adequate controls over the process for completing Employee Clearance Checklists increases the risk of County property not being returned; terminated employees having access to County systems; and disputes between the County and prior employees, should an issue arise later.

Recommendation: The Department of Vehicle Services should complete and retain an Employee Clearance Record Checklist for employees transferring from one department to another or leaving the County service. Additionally, a copy of the signed checklist should be provided to the employee upon departure, and responsibility for completing the checklist should be included in the job descriptions for staff assigned to complete these checklists.

Management Response: After meeting with audit, DVS HR staff met and discussed the process for employees transferring or leaving. The DVS HRG1 will verify that checklists are sent out and received back. In addition, a copy of the checklist will be noted upon receipt and electronically filed in employee's records. Management indicated this action was completed on March 4, 2021.

Note: *During the audit, IAO verified that DVS promptly updated the position description to include the responsibility for completing the Employee Clearance Checklist and provided an updated Employee Clearance Checklist template for use. IAO will follow up after sufficient time has passed to be able to review enough transactions to determine that the process is consistently applied.*

7. Non-PO Invoice Payments

The invoices for four sample transactions maintained on file were not paid timely. DVS did not have adequate documentation of the reason why they were not paid prior to the invoice due date. For two of the four instances, the invoice date was 7/15/19, and paid on 9/12/19. The remaining two instances had invoice dates of 1/15/19 and 1/16/20 and paid on 3/11/20 and 3/19/20 respectively.

Failure to pay invoices timely could result in the county not taking advantage of payment discounts. It also increases the risk that additional fees could be

assessed.

Recommendation: We recommend that DVS ensures that all invoices are paid by the due date of the invoice unless there is sufficient justification for not doing so.

Management Response: DVS understands that County policy is payment net 30 days for contracted PO payments. DVS processes Non-PO payments that are primarily comprised of employee reimbursements or VA state permit fees. There are delays receiving accurate information from employees to process payment. In July 2020, DVS streamlined the reimbursement process to ensure a timely payment. If there is a delay, DVS will document the reason. Management indicated this action was completed on July 1, 2020.

8. Using Agency Director's Statement of Responsibility

The Department of Vehicle Services did not have a signed copy of the Using Agency Director's Statement of Responsibility to Department of Procurement and Material Management (DPMM) prior to our audit.

Procurement Technical Bulletin (PTB) 12-1009 states that: "The agency director is required to sign this form prior to the agency's initial participation in the p-card program. When the director leaves the agency, the Program Manager should have the new director sign the form and forward the original to DPMM."

Failure to have a signed Using Agency Director's Statement of Responsibility on file decreases accountability and increases the risk of operating the p-card program outside of County guidelines.

Recommendation: We recommend Department of Vehicle Services forward the signed Using Agency Director's Statement of Responsibility to DPMM and maintain a copy at the agency.

Note: *During the audit, IAO verified that DVS promptly updated the Using Agency Director's Statement of Responsibility, therefore, no follow-up will be performed for this item.*

9. Credit Checks for Positions of Trust

Credit checks for two individuals listed on the Positions of Trust List were not on file with the Department of Human Resources. Additionally, credit checks for two individuals listed on the Positions of Trust List were not up to date.

PPAPP Memorandum No. 56, states "Employees who occupy positions of trust are subject to a credit check." Moreover, "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." The policy further states "Credit checks will be conducted after a conditional offer of

employment has been extended and accepted (new hire or promotion/transfer/demotion), and every four years thereafter.”

Not obtaining credit checks in a timely manner for those in positions of trust (i.e., those with fiduciary responsibility) increases the risk of potential for abuse, fraud or data breaches.

Recommendation: DVS should obtain credit checks in a timely manner for all individuals on the Positions of Trust list. Credit checks should be completed upon initial hire, promotion, transfer, or demotion to a position of trust and renewed every 4 years while a person holds a position of trust.

Note: During the audit, IAO verified that DVS promptly updated the credit checks, therefore, no follow-up will be performed for this item.

10. Time Entry & Approval Separation of Duties

Our audit noted a control weakness in DVS’s time entry and approval process. Over a one-year period, we noted 2,134 time entries that were initiated and approved by the same individual. These instances involved 26 different approvers and 184 different employees.

An adequate separation of duties in time entry and approval is important in preventing erroneous or fraudulent time reporting.

Recommendation: DVS should implement adequate internal controls to prevent initiation and approval of time entries by the same individual.

Management Response: After meeting with audit, DVS HR spoke with the facility superintendents and reminded them of the importance of entering and approving time. DVS HR will audit time entries, looking for duplications of the same individual creating and approving time entries, by implementing a spot-checking process. In addition, DVS HR will follow up with the superintendents and staff to fix discrepancies, if any. Management indicated this action was completed on March 4, 2021.

11. Approval of Compensatory Time Earned

In our review, we noted several instances in which a delegate HCM time approver approved compensatory time earned without proper supporting documentation. We sampled a single time entry for 12 different employees and in all 12 instances, there was no documented evidence of supervisor approval maintained on file.

PPAPP Memorandum No. 8, *Time and Attendance System and Controls*, states: “Managers are responsible for approving in advance (verbally or in writing) all employee requests to work overtime (hours above the regular schedule), and for documenting that approval in a manner that can be audited by internal and external auditors. Approval of the employee’s timesheet via MSS is adequate

documentation that advanced approval for overtime was granted." In addition, Memorandum No. 8 states: "When advance approval of overtime is not possible, supervisory approval should be obtained and documented, to the extent possible, within one business day of the employee's overtime."

Failure to document the supervisor's time approval increases the risk of inaccurate time being approved and waste or loss of county funds.

Recommendation: We recommend the Department of Vehicle Services maintain documentation evidencing supervisor approval in situations where a delegate approves compensatory time earned in FOCUS.

Management Response: The DVS-HR team met and confirmed that all Comp and OT must include comments in FOCUS. DVS HR will continue to audit comments for all OT/Comp and ensure time and approvals are not entered in by same person. Management indicated this action was completed on March 4, 2021.