# Fairfax County Internal Audit Office

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

**May 2021**

***"promoting efficient & effective local government"***

# Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Family Services (DFS). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, 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 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:

- The department's Billing and Collection Plan was not up to date, and documentation of the Department of Tax Administration's (DTA) approval of the plan was not maintained. DFS will finalize and submit a new Billing and Collection Plan to DTA for review and approval.

- The department did not use the Reconciliation Certification Form to document its monthly reconciliations. DFS has implemented the use of the Reconciliation Certification Form.

- We noted control weaknesses in the time entry and approval process. Over a twelve-month period, there were 721 entries in which the preparer was also the approver. None of these entries were for staff entering their own time. These entries were across 46 approvers and 88 employees. DFS created a time and attendance training for supervisors and has implemented a bi-weekly time entry and approval audit to identify and resolve violations.

- Employee Clearance Record Checklists were not properly completed for six terminated employees and responsibilities for completing Employee Clearance Record checklists were not included in the job/position description(s) for staff assigned to this function. In addition, the checklist used by the department did not contain all the elements from the template provided in PPAPP 33. DFS has updated the agency Employee Clearance Record Checklist to align with the checklist in PPAPP 33 and the applicable position descriptions have been updated to reflect the responsibility of maintaining all DFS Employee Clearance Record Checklists.

- The department's Positions of Trust list was not up to date. Consequently, we could not determine if all the required credit checks were up to date. DFS will finalize their Positions of Trust and commit the information in a memorandum signed by the agency director.

- There was lack of evidence to indicate that a weekly review of procurement card transactions was being completed. DFS will issue weekly PaymentNet reports for p-card and marketplace and ensure that the reports are signed and dated.

- We noted 15 p-card transactions across seven months that were not reclassified out of the card clearing account in a timely manner. DFS will ensure that all p-card transactions are cleared timely.

- Procurement card limits were found to be excessive, based on card usage. DFS has reduced the limits of applicable p-cards.

- In our review of travel reimbursements, we noted ten instances in which the travel vouchers did not list the addresses of locations traveled and there was no mileage printout provided. We were unable to verify that the mileage claimed was accurate. DFS will determine new guidelines and send out a process update email to all DFS staff and provide any needed training.

## 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 DFS's 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 September 1, 2019 through August 31, 2020. For that period, the department's purchases were $591,357 for procurement cards, $168,034 for FOCUS marketplace, $15,346,932 for purchase orders that were received, and $2,155,275 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. Billing and Collection Plan

At the time of our audit, the department's Billing and Collection Plan was not up to date since it primarily referred to a large revenue segment (School Age Child Care) which moved to the Department of Neighborhood and Community Services (NCS). In addition, neither DFS nor DTA had documentation to evidence DTA's approval of the plan. DFS's revenue consists of General Fund Revenues, Gift Fund Revenues, and Grant Revenues. Nearly 95% of DFS General Fund Revenue is associated with the Virginia Department of Social Services (VDSS) Locality Automated System for Expenditure Reimbursement (LASER) drawdown process and the Children's Services Act (CSA) Local Expenditure, Data Set & Reimbursement System (LEDRS) revenue drawdown process.

Financial Policy Statement (FPS) 436, *Billing and Collection Procedures (Non-Tax Accounts)*, states: "County departments that generate billable revenues are responsible for developing, implementing and updating a plan of action to support the county's policy and achieve timely collection of all revenues." The plan for all non-tax receivables should be submitted to DTA for approval.

**Recommendation:** DFS should update its Billing and Collection Plan and submit it to DTA for approval. Once approval is received, DFS should maintain documentation of the approval.

**Management Response:** DFS completed a first draft of a new Billing and Collection Plan that accurately reflects DFS's current revenue streams. It omits the revenue from the SACC Program, which was realigned to NCS in FY 2020. DFS has consulted with DTA on the structure of the document. DFS is completing a final draft of the plan to be submitted to DTA, along with the ancillary addendums for each revenue source required by DTA to accompany the plan. DFS anticipates completing this action by June 15, 2021.

## 2. Monthly Reconciliations

While there was evidence of monthly reconciliations of p-card, marketplace, and non-purchase orders, DFS did not use the Reconciliation Certification Form to document who prepared and reviewed the reconciliation, and when it was done. The Reconciliation Certification Form was provided for the reconciliation of purchase orders, but it was completed *after* the audit began and the approver did not sign the form.

Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions,* 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 reconcilement of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

**Recommendation**: DFS should implement the use of the Reconciliation Certification Form to document monthly reconciliations. The preparer and reviewer of the reconciliations should sign and date the Reconciliation Certification Form to evidence a timely preparation and review process. The forms should be maintained on file by the department.

**Management Response:** DFS has implemented the use of the Reconciliation Certification Form (ATB 020-A). Preparers and reviewers of individual reconciliations are now signing and dating. The DFS fiscal manager is signing the form and maintaining it in a centralized SharePoint file. Ancillary checklists have been developed by the managers of the AP/AR/Procurement Unit and the Budget Unit to reflect all the reconciliation activities around revenues, expenditures, accounts receivable, deposits, procurement, gift funds, procurement cards, and grants. The checklist system was implemented for reconciliations of activity beginning in October 2020 (FY 2021). The DFS Fiscal Manager is reviewing these monthly checklists, and confirming reconciliation is complete and documented prior to signing the agency Reconciliation Certification Form.

***Note:*** *Management has stated that they have completed these actions as of this audit report. 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. Time Entry & Approval Separation of Duties

Our audit noted a control weakness in DFS's time entry and approval process. Over a twelve-month period, we noted 721 delegate time entries that were initiated and approved by the same individual. None of these entries were for staff entering their own time. These instances involved 46 approvers and 88 employees.

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

**Recommendation:** DFS should implement adequate internal controls to prevent employees from initiating and then also approving those time entries.

**Management Response:** Following this initial finding in Fall 2020, DFS HR created a Time and Attendance Training for supervisors and delivered the training during a DFS-wide supervisors meeting in December 2020. The training encompasses all supervisor time and attendance responsibilities and emphasizes the need to refrain from entering and approving an employee's time. DFS HR plans to provide this training as a refresher to supervisors two times per year. The training has also been posted for all DFS supervisors to view and access on the DFS HR SharePoint site. In addition, the

DFS HR payroll team has added a time entry and approval audit to their bi-weekly payroll audit. This audit identifies any supervisors who have entered and approved their staff's time. If the DFS HR payroll team identifies any violations, they contact the supervisor to notify them of the error, and work with them to update the time entry to ensure it is not both entered and approved by the supervisor.

***Note:*** *Management has stated that they have completed these actions as of this audit report. 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. Employee Clearance Record Checklists**

Of the 11 employees tested, four employees did not have the Employee Clearance Record Checklist completed and two checklists were not properly completed (i.e., some checkboxes were not marked). In addition, the checklist used by DFS did not contain all the elements from the template provided in PPAPP 33. Finally, the responsibility for completing Employee Clearance Record checklists was not included in the job/position description(s) for staff assigned to this function.

PPAPP Memorandum No. 33, *Employee Clearance Record*, states: "An employee transferring from one department to another or leaving County service is required to meet with a person designated by the department head to complete the Employee Clearance Record Checklist." Memorandum No. 33 further states: "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 Record 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:** DFS should update its checklist to include all the elements from the template provided in PPAPP 33. DFS should fully complete and retain an Employee Clearance Record 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, and the responsibility for completing the checklist should be included in the job description of the staff who is/are responsible for completing the checklist.

**Management Response:** The DFS HR team has updated the agency Employee Clearance Record Checklist to align with the checklist included in PPAPP 33. The DFS HR Operations team is using an internal separation checklist to ensure the Employee Clearance Record Checklist is returned to DFS HR upon any employee separation (i.e., transfer to another county agency, resign, etc.). The DFS HR Operations Administrative Assistant position descriptions have been updated to reflect the responsibility of maintaining all DFS Employee Clearance Record Checklists to include tracking, receiving, and reviewing the checklists for all separating staff.

***Note:*** *Management has stated that they have completed these actions as of this audit report. 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.*

## 5. Positions of Trust and Credit Checks

At the time of our audit, the department's Positions of Trust list was not up to date and did not reflect the current senior leadership team. Consequently, we could not determine if all the required credit checks were up to date.

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."

Obtaining credit checks for those in Positions of Trust decreases the risk of potential for abuse or fraud.

**Recommendation:** DFS should finalize its Positions of Trust list and ensure credit checks are performed for all staff on the list.

**Management Response:** DFS is currently identifying Positions of Trust throughout the agency's programs and operational areas. The criteria for this designation is positions in leadership (Directors, Deputy Directors, Division Directors, Assistant Division Directors), as well as positions that have access to funds, are responsible for allocating funds or EBT cards, or have access to sensitive and confidential data. Once DFS has finalized the list, they will commit the information in a memorandum signed by the Director. This will be followed by formal notification to the existing employee occupying a newly designated Position of Trust. In terms of record keeping, DFS is checking in with the County's Compensation Workforce Analysis Department to determine if the "Position of Trust" designation should be added to the formal position descriptions (PD) as well as the requirement for a credit bureau check noted in the PD. DFS can denote that a position is a "Position of Trust" in a specific data field in FOCUS, but FOCUS does not have a notification system in place to remind them about upcoming re-checks. DFS plans to set a 4-year reminder and run a monthly check in PEAQ to identify those due for a credit check.

***Note:*** *Management has stated that they have completed these actions as of this audit report. 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.*

## 6. Weekly Transaction Reviews

There was lack of evidence to indicate that a weekly review of p-card and marketplace transactions was being completed. Following were our observations:

Procurement Card: Out of the 60 sample transactions selected for testing:

- In 51 instances, instead of running the PaymentNet weekly reports, DFS ran the reports for a combined period of three weeks to a month. Furthermore, the reviewer signed the report over a week to about 2 months after the report was run.
- In 6 instances, the report was run for a period of one month and was not signed and dated.
- In 3 instances, the report was run for the prior week, but was reviewed about 3 weeks late.

Marketplace: Out of the 20 sample transactions selected for testing:

- In 13 instances, instead of running the PaymentNet weekly reports, a report that included all transactions for the audit scope was provided. The report was printed *after* the audit began and not signed or dated by a reviewer.
- In 7 instances, while the PaymentNet report was printed timely, it was not signed and dated to document timely review.

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:** DFS should perform weekly reviews of p-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:** For procurement cards, the DFS Accounts Payable-Receivable-Procurement Unit will send out a process update email to all p-card custodians notifying them of a change in process. The DFS P-Card Manager will issue weekly PaymentNet Transaction Detail Reports every Monday to each p-card custodian. The custodians will review the report and ensure that all transactions are legitimate and match the custodian’s p-card transaction logs. The custodians will sign and date the report and return it to the P-Card Manager no later than Wednesday of the week it was issued. The P-Card Manager will ensure that they have received all the reviewed, signed, and dated reports by COB Friday.

For Marketplace, the DFS Accounts Payable-Receivable-Procurement Unit held an internal meeting with both Marketplace reconcilers to notify them of the new process. The DFS P-Card Manager will issue weekly PaymentNet Transaction Detail Reports every Monday to each Marketplace reconciler. Reconcilers will review the weekly PaymentNet report for errors by cross comparing them with FOCUS. The reconcilers will coordinate to ensure that all charges listed are verified. Each reconciler will review, sign, and date their weekly report no later than Wednesday of the week it was issued. The reconciler supervisors are responsible for confirming proper review and completion of the weekly reports.

***Note:*** *Management has stated that they have completed these actions as of this audit report. 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.*

## 7. Transaction Clearing Accounts

We noted 15 p-card transactions across seven months that were not reclassified out of the card clearing account in a timely manner. The reclassifications were performed 3 days to about 2 months after the closing date.

PTB 12-1009, *Use of the County Procurement Card*, states: "If the general use p-card transactions post to a clearing account (i.e., GL 544540 Credit Card Expense), the department must move those charges (debits and credits) to the appropriate expenditure account monthly (at minimum)".

Failure to properly classify procurement card expenses in a timely manner misstates departmental financial reports, increasing the risk of management making decisions based on inaccurate financial information.

**Recommendation:** Transactions posted to a procurement card clearing account should be reclassified to the proper expenditure account on a monthly basis at minimum.

**Management Response:** P-card custodians will submit their p-card transaction supporting documentation weekly, rather than monthly, to the P-Card Manager. This timely submission of backup will enable the P-Card Manager to ensure that the supporting documentation is correct and clear all the week's transactions from GL 544540 by the following Wednesday. During the last week of the FOCUS period, the P-Card Manager will ensure that all transactions are cleared, and that GL 544540 has a $0 balance prior to FOCUS closing. Likewise, the travel and training P-Card Reconciler will ensure that all their related charges are cleared from GL 544540 prior to each month's FOCUS period closing date. The P-Card Manager will reach out to the Travel and Training Reconciler if they notice uncleared transactions prior to the period close and ensure that corrections are made. DFS anticipates completing these actions by July 1, 2021.

## 8. Procurement Card Limits and Use

A credit limit analysis performed on all DFS procurement cards noted that 19 cards had low or minimal usage in comparison to the available limits on the cards. Additionally, one active card had no usage during the audit scope. DFS explained that the previous year of activity during the COVID-19 emergency was not necessarily reflective of normal requirements due to the disruption that was caused to many DFS events and trainings.

PTB 12-1009, *Use of the County Procurement Card*, states: “P-Card limits provide an important safeguard against fraud and misuse. It is important that p-card limits be set as close as possible to anticipated use.”

Failure to set card limits at reasonable levels increases risk of fraud and misuse of the county procurement card.

**Recommendation:** DFS should review card usage and card limits and reduce limits that are well in excess of card usage, and unused accounts should be closed.

**Management Response:** DFS reduced the limits of p-cards highlighted by the audit. Card limits exceeded spending requirements due to lower spending during the COVID emergency on office and program items, travel, and training. If spending trends normalize at pre-COVID levels at a later date, card values can be evaluated and raised.

***Note:*** *During the audit, IAO verified that DFS reduced limits and closed the account for the applicable cards. DFS was prompt in responding to and following-up on these matters. No follow-up will be performed for this item.*

## 9. Travel Supporting Documentation

In our review of travel reimbursements via the non-purchase order method, we noted ten instances in which the travel vouchers did not list the addresses of locations traveled and there was no mileage printout provided. We were unable to verify that the mileage claimed was accurate.

An element of a good and mature internal control environment is to have sufficient supporting documentation which allows an independent third party to be able to determine where the employee traveled and whether the correct travel expense was reimbursed.

A lack of sufficient supporting documentation for travel claimed by employees increases the risk of unauthorized travel, fraud, and waste of county funds.

**Recommendation:** DFS should require employees to complete the address field for locations traveled on the travel voucher. If an employee does not enter complete addresses, then a mileage printout should be maintained.

**Management Response:** DFS will continue to examine ways to address outlined concerns while meeting the expectation for maintaining privacy of client addresses, negotiating around the limited space on the official travel form to address travel purpose plus full address, and processing demands associated with a high level of daily caseworker travel to multiple locations. Once new guidelines are determined, the DFS Accounts Payable-Receivable-Procurement Unit will send out a process update email to all DFS staff and provide any needed training. DFS anticipates completing these actions by August 15, 2021.