



Fairfax County Internal Audit Office

**Land Development Services
Business Process Audit
Final Report**

September 2021

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within Land Development Services (LDS). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, monthly reconciliations, 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 controls will be strengthened as a result of this audit:

- Weekly transaction reviews were not performed within 5 business days for 23 out of 50 p-card items tested and 15 of 15 FOCUS Marketplace items tested. LDS will ensure procurement card transaction reports are reviewed regularly and appropriately signed and dated.
- Employee Clearance Record Checklists were not filled out completely for 3 out of 10 employees tested. Additionally, the checklist used by LDS did not include all the items from the official checklist provided in PPAPP #33. Responsibilities for completing the checklists were not included in the responsible employees' job descriptions. LDS HR will ensure that the agency Employee Clearance Record incorporates all necessary information, and that the responsibility of the checklist is noted in the POC's position description.
- Four employees on the LDS Positions of Trust list had not had a credit check performed within the last 4 years. The LDS HR team will develop a shared tracking method of credit checks to ensure checks are performed every four years.

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 LDS 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 February 2020 through January 2021. For that period, the department's purchases were \$252,512 for procurement cards, \$20,272 for FOCUS marketplace, \$2,224,913 for purchase orders, and \$293,222 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. Weekly Transaction Reviews

We noted exceptions related to weekly transaction reviews for 23 out of 50 p-card items tested and 15 out of 15 FOCUS Marketplace items tested:

- For 21 of the p-card items, weekly transaction reviews were not performed within 5 business days. These reviews were performed between 2 days and 3 weeks late.
- For all 15 marketplace items tested, the JP Morgan PaymentNet reports had evidence of the review, but were not signed or dated by the reviewer. For 13 items tested, weekly transaction reviews were not performed within 5 business days.

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 or fraudulent purchases will not be identified in a timely manner.

Recommendation: We recommend that LDS perform weekly reviews of procurement card 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: At the time the sample documents were pulled for the audit, FMB had drastic staff turnover with minimal training opportunity. Since the procurement team has been fully staffed, the team regularly reviews procurement card transaction reports and signs and dates reports. LDS expects to have this recommendation implemented by August 31, 2021.

Note: *Management has stated that they have completed these actions as of the date 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.*

2. Employee Clearance Record Checklists

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

- For 3 out of 10 Employee Clearance Record Checklists tested, the forms were not filled out completely. For all 3 forms, the supervisor completing the form did not sign and date the checklist. For 2 forms, some boxes on the checklist were left blank.
- We noted that LDS uses their own version of the Employee Clearance Record Checklist. However, this checklist did not include all the information that is included on the form provided by DHR that is included with PPAPP #33.
- Responsibilities for completing 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 designate a point of contact (POC) to conduct the offboarding interview and completion of the Checklist. Responsibility for completing the offboarding interviews and checklists must be included in the POCs' position description(s).

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 any issues arise later.

Recommendation: We recommend that LDS fully complete an Employee Clearance Record Checklist for all departing employees and ensure that checklists are accessible for at least one year after the employee's date of termination. LDS management should ensure that the checklists are properly filled out, including either a check mark or "N/A" mark in all boxes on the checklists. Checklists should be signed by both the exiting employee and the interviewer. In the case where an exit interview is not possible, a checklist should still be filled out, and a note should be filed explaining the reason for the exit interview not being possible.

If LDS wishes to utilize their own version of an Employee Clearance Record Checklist in place of the form included in PPAPP #33, LDS management should ensure that all items included on the official DHR form are also included on the LDS version of the checklist.

Additionally, responsibilities for completion of the checklist should be included in the POC's position description(s).

Management Response: LDS HR will ensure that the agency Employee Clearance Record incorporates all necessary information in accordance with PPAPP 33, as well as ensuring that the responsibility of the checklist is noted in the POC's position description. LDS expects these actions to be fully implemented by December 31, 2021.

3. Credit Checks for Positions of Trust

Four employees on the LDS Positions of Trust list had not had a credit check performed within the last 4 years.

According to the *Personnel/Payroll Administration Policies and Procedures* (PPAPP) Memorandum No. 56, Credit Check Requirements for Positions of Trust, "Employees who occupy positions of trust are subject to a credit check. Credit checks will be completed upon initial hire and for promotions, transfers, or demotions to a position of trust and every four years thereafter. 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."

Failure to perform credit checks in a timely manner increases the potential for abuse or fraud by staff who make financial decisions or have access to sensitive or confidential information.

Recommendation: LDS should ensure that credit checks are being performed on employees who occupy positions of trust every four years.

Management Response: At the time the sample documents were pulled for the audit, the HR team experienced a loss of the HR Manager, who had ownership of the credit check process. As part of the transition of the prior HR Manager's documents, the HR team will develop a shared tracking method of credit checks to ensure checks are performed every four years. LDS expects to have these actions implemented by December 31, 2021.