



Fairfax County Internal Audit Office

**Department of Animal Sheltering
Business Process Audit
Final Report**

April 2022

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Animal Sheltering (DAS). 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:

- Seven DAS admin services staff had access to all five of DAS's procurement cards, which reduces the ability to identify who was responsible for a card in the event of an unauthorized or fraudulent transaction. In addition, the safe also contained keys to the cashier's cash bags, which only one staff member required access to. DAS moved the two travel cards and the two higher limit cards out of the safe and assigned custody of the cards to individual staff members. Staff will work with DPMM to transition the two higher limit cards to named cards. In addition, DAS relocated the keys to the cashier's cash bags to a staff member's locked desk drawer.
- In our review of procurement card and FOCUS Marketplace transactions, we noted 23 out of 45 purchases were not properly supported by a signed and dated invoice/packing slip or other evidence indicating who confirmed the receipt of goods/services and when it was confirmed. DAS will retrain staff in receiving procedures and require them to initial and date all packing slips.
- In our review of procurement card transactions, we noted 15 out of 35 purchases were not recorded on the transaction log. DAS will ensure all procurement card transactions are logged.
- The department did not maintain a formal Positions of Trust list, and the Deputy Director was not included on the informal list. Consequently, the required credit check was not performed for the Deputy Director. DAS created a Positions of Trust list and will perform the required credit checks initially and every four years.
- The Director's Statement of Responsibility was not completed prior to our audit. DAS completed the Director's Statement of Responsibility and forwarded it to the Department of Procurement and Material Management (DPMM).
- The department's procurement card internal control procedures were not approved by DPMM. DAS received approval from DPMM for the internal control procedures.
- The Department Reconciliation Plan was not approved by the Department of Finance (DOF). DAS received approval from the Department of Finance (DOF) for

the Department Reconciliation Plan.

- We noted a control weakness in the time entry and approval process. Over a twelve-month period, there were 31 entries in which the preparer was also the approver. None of these entries were for staff entering their own time. These entries were across 2 approvers and 4 employees. DAS staff will be retrained in time entry and approval procedures, and the Admin Services Manager will monitor the process.
- The Employee Offboarding Checklist used by the department did not contain all the elements from the template provided in PPAPP 33. DAS will create a new offboarding checklist that includes all the elements from the template provided in PPAPP 33.

Scope and Objectives

This audit was performed as part of our fiscal year 2022 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 DAS'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, 2020, through August 31, 2021. For that period, the department's purchases were \$427,504 for procurement cards, \$4,398 for FOCUS marketplace, \$202,408 for purchase orders that were received, and \$2,506 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. Physical Security of Procurement Cards

All five of DAS's procurement cards were maintained in a lock safe that seven DAS admin services staff had access to. Two of the cards accessible by the seven staff had a \$100,000 spending limit for each card. Also kept in the safe were keys to the cashier's cash bags, which only one staff member required access to.

The risk of fraud increases when access to all procurement cards is granted to multiple staff, as the ability is severely diminished to identify who was responsible for the card(s) in the event an unauthorized or fraudulent transaction occurs.

Recommendation: DAS should discontinue the practice of allowing seven staff members access to all five procurement cards. DAS should divide access and responsibility for the cards among staff. Four of the cards (including the two \$100,000 limit cards) should be removed from the lock safe and secured by custodians. In addition, all non-travel cards should be converted to named cards. To address DAS's operational needs, we recommend only one procurement card remain in the lock safe and the activity on it be closely monitored. Finally, the keys to the cashier's cash bags should be removed from the safe and secured by the individual staff member that requires their use.

Management Response: The keys to the cash bags have been relocated to a staff member's locked desk drawer. The two travel cards and the two higher limit cards have been moved out of the safe and are kept in the custody of individual staff members. Staff will work with DPMM to transition the two higher limit cards to named cards. DAS anticipates completing these actions by July 1, 2022.

2. Receipt Documentation

In our review of procurement card and FOCUS Marketplace transactions, we noted 23 out of 45 purchases that were not properly supported by a signed and dated invoice/packing slip or other evidence indicating who confirmed the receipt of goods/services and when it was confirmed.

Procedural Memorandum (PM) 12-16, *On-Line Procurement of Office Supplies*, requires that 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. Also, Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, requires that all receipt documentation be filed with the appropriate bank record (monthly statement or weekly transaction detail report) and retained by the department.

Failure to adequately document the receipt of purchases prevents the assurance of an adequate separation of duties and increases the risk of paying for items that were not received.

Recommendation: DAS should ensure that receipt of all ordered goods and services is adequately documented in a timely manner. 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 the receiver's initials and date. All receiving documentation should be maintained on file with the supporting documentation for the transaction.

Management Response: Staff that receive goods have been retrained in procedures and reminded that they are required to initial and date all packing slips. Administrative staff will make sure all packing slips and invoices have the proper documentation and follow up if they do not.

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. Procurement Card Transaction Log

In our review of procurement card transactions, we noted 15 out of 35 purchases were not recorded in the transaction log.

PTB 12-1009, *Use of the County Procurement Card*, states, "The department shall maintain a log that records purchases as they occur and tracks who is in possession of p-cards."

If possession of the procurement card is not accurately tracked, the risk of fraudulent transactions is increased. Additionally, accountability is reduced in the event a card is lost or inappropriate charges are placed on the card.

Recommendation: DAS staff should record all purchases on the transaction log to ensure that card use is properly documented and monitored.

Management Response: All p-card transactions in person, via phone, and online will be logged. The p-card manager will ensure during reconciliation that all purchases have been logged. If any are not logged, the p-card manager will follow up with the purchaser. If this is a repeated practice, that purchaser will lose card privileges.

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. Positions of Trust

At the time of our audit, DAS did not maintain a formal Positions of Trust list, and the department's Deputy Director was not included on the informal listing provided by

DAS. Per corroboration with the Department of Human Resources (DHR), the required credit check was not performed for the Deputy Director.

PPAPP 56, *Credit Check Requirements for Positions of Trust*, 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." PPAPP 56 also states, "Credit checks will be conducted after a conditional offer of employment has been extended and accepted, and every four years thereafter while in that position of trust. The department director or designee should complete Attachment A to delineate the positions in the department designated as positions of trust subject to the credit check requirement and retain in the department files."

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

Recommendation: DAS should create a formal Positions of Trust list and ensure credit checks are performed for all staff on the list.

Management Response: The Positions of Trust list has been created and will be maintained by the agency. Initial credit checks will be performed and repeated every four years.

Note: *Management has stated that they have completed these actions as of this audit report. During the audit, IAO received a copy of DAS's formalized Positions of Trust. IAO will only follow up on the second portion of the recommendation after sufficient time has passed to determine that the new process is consistently applied.*

5. Using Agency Director's Statement of Responsibility

At the time of our audit, DAS did not have a signed Using Agency Director's Statement of Responsibility on file.

PTB 12-1009 requires each department director to sign the Using Agency Director's Statement of Responsibility. If the director leaves the department, the procurement card Program Manager shall ensure that the new director complete a Director's Statement of Responsibility form and forward the original to the DPMM Administrator.

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

Recommendation: DAS should complete the Using Agency Director's Statement of Responsibility and forward it to DPMM. DAS should also retain a copy of the Using Agency Director's Statement of Responsibility on file.

Management Response: The Using Agency Director's Statement of Responsibility has been completed and forwarded to DPMM, and a copy is kept on file with the agency.

Note: During the audit, IAO received a copy of DAS's completed Director's Statement of Responsibility. DAS was prompt in responding to and completing this item. No follow-up will be performed for this item.

6. Procurement Card Internal Control Procedures

While DAS had developed written procurement card internal control procedures, the procedures were not approved by DPMM.

PTB 12-1009 requires that all using agencies establish procurement card internal control procedures that govern card security, use, and accounting specific to their operations. The procurement card Program Manager must submit the procedures (both new and revised versions) to the DPMM Administrator for review and approval.

Failure to obtain approval for departmental internal control procedures increases the risk that operating procurement card procedures might not comply with County policy.

Recommendation: DAS should submit their procurement card internal control procedures to DPMM for approval and maintain the approval documentation on file.

Management Response: The p-card internal control procedures have been completed and approved by DPMM, and a copy is kept on file with the agency.

Note: During the audit, IAO verified that DAS received approval from DPMM for the internal control procedures. DAS was prompt in responding to and completing this item. No follow-up will be performed for this item.

7. Department Reconciliation Plan

While monthly reconciliations were being performed for DAS and they had a written reconciliation plan, the plan was not approved by DOF.

Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, requires each agency to develop a written reconciliation plan and obtain approval by DOF.

Recommendation: DAS should submit their reconciliation plan to DOF for approval and maintain the approval documentation on file.

Management Response: The Department Reconciliation Plan has been completed and approved by DOF, and a copy is kept on file with the agency.

Note: During the audit, IAO verified that DAS received approval from DOF for the Reconciliation Plan. DAS was prompt in responding to and completing this item. No follow-up will be performed for this item.

8. Time Entry and Approval Separation of Duties

Our review noted a control weakness in DAS's time entry and approval process. Over a twelve-month period, we noted 31 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 2 approvers and 4 employees.

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

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

Management Response: Staff will be retrained in time entry and approval procedures. The Admin Services Manager will monitor this when possible and speak to staff individually if needed.

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.

9. Employee Offboarding Checklists

In our review of terminations, we noted that DAS utilized a custom version of the Employee Offboarding Checklist. DAS's custom checklist did not contain all the elements from the template provided in PPAPP 33, *Procedures and Information for Employees Terminating from or Transferring within Fairfax County*. Some important elements (e.g., cancel computer systems access) were missing from DAS's checklist.

Failure to include all required elements from the checklist template provided in PPAPP 33 increases the risk of not maintaining adequate controls over the offboarding process.

Recommendation: DAS should update its checklist to include all the elements from the template provided in PPAPP 33.

Management Response: DAS updated its offboarding checklist to include all the elements of the template provided in PPAPP 33.

Note: During the audit, IAO received a copy of DAS's updated offboarding checklist. DAS was prompt in responding to and completing this item. No follow-up will be performed for this item.