



Fairfax County Internal Audit Office

**McLean Community Center
Business Process Audit
Final Report**

March 2022

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the McLean Community Center (MCC). 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 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 found that the department had overall effective procedures and internal controls in place for the handling of purchasing and human resource functions. However, we noted the following exceptions where compliance and controls will be strengthened:

- There was no documentation on file to evidence receipt of p-card purchases for 6 of the 50 transactions tested. The items purchased included a laptop computer and video conferencing equipment. MCC will implement a requirement to initial and date receiving documentation to evidence receipt of purchases.
- Required Reconciliation Certification Forms were not used for procurement and marketplace place card reconciliations. In addition, one of the three revenue reconciliations tested was not performed in a timely. MCC has implemented the use of Reconciliation Certification Form for p-card and Marketplace reconciliations and a requirement that all reconciliations be completed 30 days from month end.

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 the McLean 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 August 2020, through July 2021. For that period, the department's purchases were \$292,530 for procurement cards, \$8,236 for FOCUS marketplace, \$568,734 for purchase orders, and \$48,687 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. Receipt Documentation

In our review of p-card transactions, we noted 6 out of 50 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. Three of the items purchased included a laptop computer, video conferencing equipment, and a refrigerator.

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. Failure to adequately document the receipt of purchases increases the risk of paying for items that were not received.

Recommendation: MCC 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: MCC has implemented an additional requirement when making purchases with the County p-card. The new requirement is when items are received, the packing slip, receipt, or invoice must be initialed and dated by the employee who was not the purchaser. New guidance will be sent to all p-card users. MCC anticipates completing this action by March 1, 2022.

2. Reconcilements

While the reconciliations were being performed, MCC did not use the Reconciliation Certification Form to document that the p-card and Marketplace transactions were reconciled, and authorizer/approver verified. Also, one of the three revenue reconciliations tested was not performed in a timely manner. The reconciliation was performed 27 days after the required period.

Accounting Technical Bulletin 020 (ATB 020), *Reconciliation of Financial Transactions*, provides a Reconciliation Certification Form that is to be signed by the director or designee indicating that reconciliation was completed for a specific period for the financial transactions. This is to verify that the department's transactions have been reconciled and authorizer/approver verified. ATB 020 also requires monthly reconciliations to be completed by the end of the following month.

Failure to timely perform and document monthly reconcilement of all revenue and expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate entries go undetected

Recommendation: MCC should implement the use of the Reconciliation Certification Form to document p-card and Marketplace reconciliations and perform revenue reconciliations in a timely manner. 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: MCC implemented the requirements to complete the Reconciliation Certification Form for monthly p-card and Marketplace orders and complete all reconciliations within 30 days of the month end.

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.*