



Fairfax County Internal Audit Office

**General District Court
Business Process Audit
Final Report**

November 2022

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the General District Court (GDC). 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 agency did not perform monthly reconciliations for purchase orders and non-purchase orders. GDC is now performing monthly reconciliations of purchase orders and non-purchase orders, as well as collaborating with DOF to create a specific plan and method to perform and document monthly reconciliation.
- The agency did not have an approved Billing and Collection Plan. GDC will develop and submit a Billing and Collection Plan and will review it annually.
- The agency did not have a completed Department Operating Procedures Form on file. GDC will complete the Department Operating Procedures Form for Processing Monetary Receipts and maintain it on file for audit review.
- The agency's Positions of Trust was not finalized and required credit checks were not performed. GDC finalized its Positions of Trust and all required credit checks were performed.
- The agency's procurement card internal control procedures were not approved by the Department of Procurement and Material Management (DPMM). GDC received approval from DPMM for their procurement card internal control procedures.
- In our review of terminations, we noted 7 out of 10 Employee Offboarding Checklists were not properly completed. GDC is now completing Checklists for all exiting employees and documenting cases in which exiting employees left without notice or refused an exit interview.
- In our review of non-purchase orders and FOCUS Marketplace transactions, we noted that for 5 out of 35 transactions, GDC could not locate some or all the supporting documentation. GDC will maintain complete supporting documentation for all transactions.
- In our review of procurement card and FOCUS Marketplace transactions, we noted that for 17 out of 35 transactions, the weekly transaction review was either not performed or not completed timely. GDC is now performing timely reviews of all procurement card and FOCUS Marketplace reports.

- In our review of procurement card transactions, we noted 5 out of 25 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. GDC is now ensuring goods and services are adequately documented in a timely manner.
- In our review of procurement card transactions, we noted 4 out of 25 purchases were not properly recorded on the transaction log. GDC now reviews its transaction log to ensure it contains all fields necessary to properly document and monitor use of p-cards.
- In our review of procurement card transactions, we noted two purchases were made without documented evidence of technical review. GDC has implemented a technical review of all applicable items.

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 GDC'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 October 1, 2020, through September 30, 2021. For that period, the department's purchases were \$59,428 for procurement cards, \$56,559 for FOCUS marketplace, \$140,563 for purchase orders that were received, and \$210,566 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. Monthly Reconciliations

GDC did not perform a monthly reconciliation of purchase orders and non-purchase orders. GDC did, however, perform a monthly reconciliation of procurement card transactions and included the required reconciliation certification forms.

Per Financial Policy Statement (FPS) 020, *Financial Reconciliation and Oversight*, “Departments are required to conduct monthly financial reconciliations and financial oversight that adhere to the guidelines established by this FPS. Documentation to support the monthly financial reconciliations and oversight must be retained for review and audit purposes. In addition, departments must develop and maintain a Financial Accountability Plan approved by the Department of Finance, Financial Reporting Division (DOF – FRD).”

Additionally, FPS 020 requires departments to complete the Financial Reconciliation and Oversight Certification Form (FPS 020-2) by the last day of the following month and retain for review and audit purposes. 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 substantiate that the department’s transactions have been reconciled timely and verified by an authorizer/approver.

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: GDC should review the newly released FPS 020 to gain an understanding of the updated requirements for financial reconciliation and financial oversight processes. GDC should then collaborate with DOF to create a specific plan and method to perform a monthly reconciliation of purchase orders and non-purchase orders. The method should be approved by DOF prior to implementation. Once implemented, GDC should develop documentation to substantiate that the complete population of purchase order and non-purchase order transactions have been reconciled from FOCUS records to the source documents on a monthly basis. Additionally, the preparer and reviewer of the reconciliations should sign and date the Financial Reconciliation and Oversight Certification Form to evidence a timely preparation and review process. The forms should be maintained on file by the agency.

Management Response: GDC is performing monthly reconciliations of purchase orders and non-purchase orders. GDC is reviewing the newly released FPS 020 and collaborating with DOF to create a specific plan and method to perform monthly reconciliation. The Bookkeeper and GDC Director will sign and date the Financial Reconciliation and Oversight Certification Form indicating timely review and maintain records. GDC anticipates completing these actions by January 1, 2023.

2. Billing and Collection Plan

The agency did not have a written Billing and Collection Plan approved by the Department of Tax Administration (DTA). GDC receives revenue via collections by the State Clerk's Office, grants, and various costs, fines and restitution associated with cases, such as criminal and traffic violations. GDC also collects and disburses revenue to relevant agencies.

Per FPS 436, *Billing and Collection Procedures (Non-Tax Accounts)*: "Departments that generate billable revenue are responsible for developing, implementing and updating a plan of action to support the county's policy and achieve the timely collection and recordation of all revenues. Each department will develop and maintain a Department of Tax Administration (DTA) approved billing and collection plan."

Having an approved Billing and Collection Plan decreases the risk of having billing procedures that are not compliant with the county's requirements; supports the county's goal of achieving timely collection of all revenues; and decreases the risk of fraud or errors.

Recommendation: GDC should develop and submit a Billing and Collection Plan to DTA for approval and maintain the approval documentation on file. GDC should perform a periodic review of the Billing and Collection Plan to ensure it remains applicable and is used by staff.

Management Response: GDC will develop and submit a Billing and Collection Plan and will review it annually in December each year. GDC anticipates completing these actions by January 1, 2023.

3. Department Operating Procedures Form

GDC did not complete the Department Operating Procedures Form for Processing Monetary Receipts. The form identifies who is responsible for the recordation, reconciliations, and accounting of all monetary transactions within FOCUS.

Per FPS 470, *Processing Monetary Receipts*: "All departments that process monetary receipts are responsible for complying with the requirements as described in this policy document. At a minimum, all departments are required to complete the Processing Monetary Receipts Department Operating Procedures Form (FPS 470-1) (Attachment 1)." The completed form must be retained on file for DOF and audit review. FPS 470 also states: "Any exception to this policy for the timing of deposits or deposit recordation must be requested in writing, from the director of the requesting department, by completing a Processing Monetary Receipts Waiver Request Form (FPS 470-2) (Attachment 2) and submitting it to the Director of Finance. Written approval from DOF on the Processing Monetary Receipts Waiver Request Determination Form (FPS 470-3) must be retained and readily available for both DOF and audit review."

Not completing and maintaining the Department Operating Procedures Form increases the risk for fraud or error to occur, and inadequate safeguarding and handling of monetary receipts.

Recommendation: GDC should complete the Department Operating Procedures Form and maintain it on file for DOF and audit review. GDC should perform a periodic review of the Department Operating Procedures Form to ensure it remains applicable and is used by staff.

Management Response: GDC will complete the Department Operating Procedures Form for Processing Monetary Receipts and maintain it on file for audit review. GDC anticipates completing these actions by January 1, 2023.

4. Positions of Trust

At the time of our audit, GDC's Positions of Trust was not finalized, and required credit checks were not performed.

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. The credit check requirement will be included in both the Job Announcement and the position description and will be subject to periodic audit review."

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

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

Note: *During the audit, IAO verified that GDC finalized its Positions of Trust and all required credit checks were performed. GDC was prompt in responding to and completing this action. No follow-up will be performed for this item.*

5. Procurement Card Internal Control Procedures

While GDC had developed written procurement card internal control procedures, the procedures were not approved by DPMM. In addition, the procedures referenced various job functions by staff names rather than position names.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, requires that all using agencies establish procurement card internal control procedures that govern card security, use, and accounting specific to their operations. The procedures should identify employees by job title, and 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: GDC should submit their procurement card internal control procedures to DPMM for approval and maintain the approval documentation on file.

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

6. Employee Offboarding Checklists

In our review of 10 terminations, we noted that an Employee Offboarding Checklist was not completed for three employees, and four checklists were not properly completed (i.e., only some or no checkboxes were marked).

PPAPP 33, *Procedures and Information for Employees Terminating from or transferring within Fairfax County*, states: "An employee transferring from one department to another or leaving County service is required to meet with the department's designated point of contact (POC) to complete the Checklist." PPAPP 33 further states, "If an employee leaves with no notice, preventing the department from completing the Checklist as outlined in section 4B of this memorandum, the department shall document this in their records and complete pertinent security control tasks listed in this document."

Failure to maintain adequate controls over the process for completing Employee Offboarding 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: GDC should fully complete and retain an Employee Offboarding Checklist for employees transferring from one department to another or leaving County service for any reason. A copy of the signed checklist should be provided to the employee upon departure. For cases in which an employee leaves with no notice or refuses an exit interview, the agency should document it in their records and complete pertinent security control tasks outlined in PPAPP 33.

Management Response: GDC completes Employee Offboarding Checklists for all exiting employees. Moving forward, if exiting employees leave without notice or refuse an exit interview, GDC will document this action and complete pertinent security control tasks.

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 samples to determine that the new process is consistently applied.

7. Missing Supporting Documentation

In our review of non-purchase orders and FOCUS Marketplace transactions, we noted that for 5 out of 35 transactions, GDC could not locate some or all the supporting documentation. Specifically:

- For three non-purchase orders, the supporting documentation was not scanned into Vendor Invoice Management (VIM) because the invoices contained sensitive information about legal matters. However, GDC was then not able to locate the original documentation that was supposed to be maintained on file for audit review.
- For two FOCUS Marketplace transactions, GDC did not have the invoice maintained on file. Other documentation (i.e., order confirmation, packing slip, etc.) was available to review.

FPS 630, *Non-PO Payments*, states, “Departments must file all invoices and supporting documentation containing sensitive information and maintain for audit purposes.” PTB 12-1009 states that departments should retain original supporting documentation for each transaction.

Failure to maintain complete supporting documentation for all transactions increases the risk that the validity of transactions cannot be verified, and that the agency is not in compliance with County document retention policies.

Recommendation: GDC should maintain complete supporting documentation for all transactions.

Management Response: GDC will maintain complete supporting documentation for all transactions. The Bookkeeper reviews all purchases for completeness during weekly and monthly reconciliation and maintains documentation.

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.

8. Weekly Transaction Reviews

In our review of procurement card and FOCUS Marketplace transactions, we noted that for 17 out of 35 transactions, the weekly transaction review was either not performed or not completed timely (ranging from 2-5 days late).

PTB 12-1009 states, "On a weekly basis (at minimum) the department is required to use the bank's transaction detail reports to reconcile charges for both general use p-card transactions and ghost p-card transactions. Departments should review the reports, looking for any abnormalities. Any charges that are not recognized or appear to be fraudulent should be addressed immediately."

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

Recommendation: GDC should perform timely reviews of all procurement card and FOCUS Marketplace weekly transaction reports containing all items posted to the bank for the prior week. Once completed, the reviewer should sign and date the report to document the completion of the review.

Management Response: GDC is performing weekly (timely) reviews of all procurement card and FOCUS Marketplace 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.

9. Receipt Documentation

In our review of procurement card transactions, we noted 5 out of 25 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.

PTB 12-1009 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: GDC 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: GDC is ensuring goods and services are adequately documented in a timely manner. All documentation is maintained on file. The Bookkeeper reviews all purchases for completeness during weekly and monthly reconciliation and maintains documentation.

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.

10. Transaction Log

In our review of procurement card transactions, we noted 3 out of 25 purchases were not recorded in the transaction log. In addition, for one purchase that was recorded on the transaction log, return date field was not completed.

PTB 12-1009 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: GDC staff should record all purchases on the transaction log and complete all required fields to ensure that card use is properly documented and monitored.

Management Response: GDC reviews its transaction log to ensure it contains all fields necessary to properly document and monitor use of p-cards. The Bookkeeper (P-Card Manager) reviews the log during weekly and monthly reconciliation.

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.

11. Technical Review

In our review of procurement card transactions, we noted two purchases (13 monitors/13 soundbars totaling \$3,713 and 6 soundbars totaling \$160) were made without documented evidence of technical review.

PTB 12-1010, *Technical Review Program*, states: “Unless formally exempted by the responsible technical review department, no department may purchase an item or service requiring technical review without first completing the review process. For this reason, items and services requiring technical review may not be purchased using a procurement card or any other non-FOCUS purchasing process without documentation of approval from the responsible technical review department.”

Items purchased without the required technical review process increases the risk of overpayment for goods, purchasing items that are not compliant with the county's standards, items incompatible with the county's systems or security requirements, and purchasing from a vendor that does not offer proper technical support.

Recommendation: GDC should utilize the technical review matrix for applicable p-card purchases and maintain documentation of approval from the responsible technical review department. If exemptions from technical review are granted by a technical review agency, then documentation of the exemption should be maintained on file.

Management Response: GDC has implemented a technical review of all applicable items. The Bookkeeper reviews purchasing documents for completeness during weekly and monthly reconciliation and maintains documentation.

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.*