



Fairfax County Internal Audit Office

Department of Housing and Community Development
Business Process Audit
Final Report

July 2022

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Housing and Community Development (DHCD). 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 area where controls will be strengthened as a result of this audit:

- While there was evidence that PaymentNet reports were printed timely and reviewed by staff, for 25 out of 40 P-Card items tested, the weekly PaymentNet report was not signed or dated by the reviewer to indicate when and by whom the review was performed. Starting immediately, DCHD's weekly PaymentNet reports will be printed timely and will note a signature and date.

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 DHCD'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, open-ended purchase order, and non-purchase order transactions that occurred during the period of January 2021 through December 2021. For that period, the department's purchases were \$3,548,934 for procurement cards, \$33,044 for FOCUS marketplace, \$37,415,312 for purchase orders, and \$111,316,476 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 – Procurement Cards

While there was evidence that PaymentNet reports are printed timely and reviewed by staff, the weekly PaymentNet report was not signed or dated by the reviewer for 25 out of the 40 p-card transactions tested. Therefore, we were unable to determine if these reports had been reviewed in a timely manner and by whom they were reviewed.

PTB 12-1009 requires that all agencies review weekly transaction reports for unusual or unauthorized transactions. The reviewer should then sign and date the transaction report to document that the review was performed in a timely manner.

Failure to review weekly transaction reports increases the risk that inappropriate P-Card purchases made without authorization will not be identified in a timely manner.

Recommendation: We recommend DHCD ensure that the reviewer signs and dates the weekly transaction report to properly document the completion of a timely review.

Management Response: During the height of the Covid-19 pandemic, the AP Staff was working exclusively from home. Remote processes were being developed which caused many of the issues seen.

Weekly transaction reports will document review by use of proper signature/date to note a review was performed. Weekly PaymentNet reports and P-Card transaction reports will be printed timely and will note a signature and date; this will occur weekly with the reconciliation of P-card charges and Marketplace transaction documentation.

The current practice requiring multiple staff reviews for approval prior to purchasing will continue which reduces risk of inappropriate purchases before a transaction occurs. Managers/Division Directors/Deputy Directors, Fund Accountant, and Finance Director are all required to sign a purchase. This process exceeds the County requirement and assures purchases were made properly and with full approval.

Note: Management has stated that these items have been implemented as of the date of this 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.