



Fairfax County Internal Audit Office

Department of Code Compliance
Business Process Audit
Final Report

August 2023

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Code Compliance (DCC). The audit included review of procurement cards, FOCUS marketplace cards, voyager (fleet service) cards, purchase orders, non-purchase orders, open-ended purchase order payments, 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 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 the following areas where compliance and controls will be strengthened as a result of this audit:

- For 4 out of 30 department p-card transactions tested, the details of the transactions were not logged on a p-card log. DCC will ensure the p-card log is completed when the p-card is signed out for each and every transaction.
- For 4 out of 10 FOCUS Marketplace transactions tested, the packing slip was not signed or dated by the employee receiving the shipment. DCC will ensure all transactions received with a packing slip are dated, signed, and provided to the Management Analyst I for records.
- In 2 out of 10 instances, an employee offboarding checklist was not completed or retained after the employee's departure from the department. Additionally, responsibilities for completing the checklists were not included in the job descriptions for staff assigned to this function. DCC will schedule an offboarding meeting upon notice of an employee's last day to review PPAPP 33. In the case where an exit interview is not possible, a checklist will still be filled out with a note explaining the reason for the exit interview not being possible. DCC added the responsibility for completing the checklists to the appropriate job descriptions.
- All the three monthly reconciliations tested were not completed in a timely manner by the required time frames. DCC management will ensure that FOCUS reconciliations are completed within the required time frame. IAO confirmed that management action has been taken, and this finding is resolved.
- Our review noted that two named p-cards were in the name of the previous director and were still in use by the agency. DCC will cancel existing cards and request new ones once existing p-cards have been reconciled. IAO confirmed that management action has been taken, and this finding is resolved.

Scope and Objectives

This audit was performed as part of our fiscal year 2023 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 Department of Code Compliance'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 March 1, 2022, through February 28, 2023. For that period, the department's purchases were \$91,622 for procurement cards, \$6,150 for FOCUS marketplace, \$85,036 for purchase orders, and \$261 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. P-Card Transaction Logs

For 4 of 30 department p-card transactions tested, details of the transaction were not logged on a p-card log.

Procurement Technical Bulletin (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. Departments may use a manual or electronic log to record both debit and credit transactions. Entries must be contemporaneous so that they provide up-to-date information on funds expended and should identify the p-card user. Department staff may use the example in this PTB, Attachment D, as a guide when developing a p-card transaction log. Departments should ensure that it contains all the elements as shown in Attachment D."

If possession of the p-card is not accurately tracked, the risk of not identifying fraudulent transactions in a timely manner is increased. Additionally, accountability is reduced in the event a card is lost or inappropriate charges are placed on the card. Since the bank does not offer as much fraud protection for departmental cards as named cards it is imperative to maintain adequate accountability of the possession and usage of the p-cards.

Recommendation: We recommend that DCC accurately reflect all procurement card activity in a transaction log, to ensure that card use is properly monitored.

Management Response: Clear communication between the MA III and MA I will occur to ensure the p-card log is completed the instant the p-card is signed out for each and every transaction. DCC implemented this action on 7/24/2023.

Note: *DCC management noted that they implemented this management action prior to 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.*

2. Receipt Documentation

For 4 of 10 FOCUS marketplace transactions maintained on file had deficiencies related to receiving documentation. For these transactions, the packing slip was not signed or dated by the employee receiving the shipment.

Procurement Technical Bulletin (PTB) 12-1008 - *Online Procurement Using FOCUS Marketplace* requires that upon receipt of items, the person who receives the goods should inspect the items, reconcile the contents of the package to vendor's packing slip, and report any product defects, discrepancies, or errors to the supplier and to the department program manager. Also, PTB 12-1009 – *Use of 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 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: DCC should ensure that receipt of all ordered goods and services is adequately documented in a timely manner. All receiving documentation should be maintained on file with the supporting documentation for the transaction.

Management Response: DCC will ensure all transactions received with a packing slip are dated, signed, and provided to Tracy Doan for records. Specifically, the paper orders from WB Mason. If a packing slip is not received, call WB Mason to request an electronic copy and follow up with appropriate date and signature. DCC implemented this action on 7/24/2023.

Note: DCC management noted that they implemented this management action prior to 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.

3. Employee Offboarding Checklists

We noted the following deficiencies related to Employee Offboarding Checklists:

- a. In two instances, an Employee Offboarding Checklist was not completed or retained after the employee's departure from the department.
- b. Responsibilities for completing the Employee Offboarding Checklist were not included in the job/position description(s) for staff assigned to this function.

Per Personnel/Payroll Administration Policies and Procedures (PPAPP) No. 33, Procedures and Information for Employees Terminating from or transferring within Fairfax County, "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 Employee Offboarding Checklist and return County equipment and property." Additionally, responsibility for completion of offboarding interviews and checklists must be included in the position description(s) of the POC responsible for the completion of the offboarding interview and checklist. If an employee leaves with no notice, preventing the department from completing the Checklist as outlined in section 4B of this policy, 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; terminated employees having access to County systems; and disputes between the County and prior employees, should an issue arise at a later date.

Recommendation: DCC should complete and retain an Employee Offboarding Checklist for employees transferring from one department to another or leaving the County service. Additionally, the responsibility for completing the checklist should be included in the job description of the POC assigned to this function.

Management Response: Moving forward, upon notice of an employee's last day, an offboarding meeting will be scheduled to review PPAPP 33. In the case where an exit interview is not possible, a checklist will still be filled out with a note explaining the reason for the exit interview not being possible. DCC implemented this action on 7/14/2023.

Note: DCC management noted that they implemented this management action prior to 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.

IAO reviewed updated position descriptions for DCC's Management Analyst III and Management Analyst I position, noting that the responsibility for completing Employee Offboarding Checklists had been added to the descriptions. No follow-up will be necessary for part b of this finding.

4. FOCUS Reconciliations

All three reconciliations reviewed for the selected period were not completed in a timely manner. The December 2022 reconciliation was completed in February 2023, and the January and February 2023 reconciliations were completed in April 2023.

Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, requires all departments and agencies to perform monthly reconciliations on a timely basis (no later than the last day of the following month) at the transaction level. These reconciliations are to be carried out in accordance with the department's reconciliation plan that has been approved by the Department of Finance (DOF).

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS in a timely manner increases the risk that erroneous or inappropriate charges going undetected. Additionally, the reconciliation provides a means of ensuring that all charges and credits are cleared to the proper expenditure account at least monthly.

Recommendation: We recommend DCC to complete their monthly FOCUS reconciliations no later than the last day of the following month.

Management Response: DCC management will ensure that FOCUS reconciliations are completed within the required time frame. DCC implemented this action on 5/19/2023.

Note: *IAO reviewed reconciliations for May and June of 2023 and noted that they were completed timely. As such, no follow-up will be necessary for this finding.*

5. Active Procurement Cards

Our review noted that two named p-cards were in the name of the previous director and were still in use by the agency. Not cancelling named cards related to employees who transferred or terminated increases the county's exposure in the event the card is lost, stolen or improperly used by an employee.

Recommendation: We recommend that DCC notify DPMM of the previous director's departure, cancel the cards, and have new cards issued in the name of the current director.

Management Response: In consultation with DPMM, we are required to cancel named p-cards and request for new ones. Action to be completed once existing p-cards have been reconciled. DCC anticipates completing this action by September 1, 2023.

Note: Per DCC management, the two named p-cards have been closed and two new departmental p-cards have been issued to replace the named cards. IAO confirmed that this action has been completed. No follow-up will be necessary for this finding.