



Fairfax County Internal Audit Office

Department of Planning and Development
Business Process Audit
Final Report

October 2023

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Planning & Development (DPD). 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- The departmental internal control procedures maintained on file were outdated and not approved by DPMM. DPD has drafted procurement card internal control procedures, which will be reviewed/approved by the DPD director and then submitted to DPMM for approval.
- The non-purchase order method was used to pay for nine items that were not listed as approved categories in FPS 630. DPD will process purchases with a purchase order or procurement card unless exempted by FPS 630.
- There were three versions of DPD's transaction log, two of which did not contain all the required elements. DPD updated their transaction log to include the required elements.
- An Employee Offboarding Checklist was not completed for two terminated/transferred employees. DPD will complete the checklist for all exiting employees.
- DPD's Positions of Trust list did not include a Management Analyst IV. DPD updated their Positions of Trust to include the Management Analyst IV and completed a credit check.
- Two purchases were made with a procurement card without documented evidence of technical review. DPD will use the purchase order process or receive technical review approval via email when using a procurement card for items requiring technical review.
- DPD did not maintain a copy of the Director's Statement of Responsibility for the former department Director, and the form was completed for the current department Director *after* the audit was initiated.

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 DPD'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 and non-purchase order transactions that occurred during the period of December 1, 2021, through November 30, 2022. For that period, the department's purchases were \$108,189 for procurement cards, \$12,779 for FOCUS marketplace, \$620,444 for purchase orders that were received, and \$515,846 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. Procurement Card Internal Control Procedures

The departmental internal control procedures maintained on file were outdated (i.e., referenced the agency's former name) and not approved by DPMM.

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, processes, use, and accounting specific to their operations. The procurement card Program Manager must submit the procedures (both new and revised versions) to the DPMM Program Administrator for review and approval.

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

Recommendation: DPD should update their internal control procedures to reflect current processes. The revised procedures should then be submitted to the DPMM Program Administrator for review and approval. Once approval is received, DPD should maintain the approval on file along with the updated procedures.

Management Response: DPD has drafted procurement card internal control procedures, which will be reviewed/approved by the DPD director and then submitted to DPMM for approval. DPD is also currently reviewing procurement card limits compared to usage and will make further updates to the draft procedures to reflect the potentially changed limits. DPD anticipates completing these actions by December 15, 2023.

2. Use of the Non-Purchase Order Method

The non-purchase order method was used to pay for nine items that were not listed as approved categories in Financial Policy Statement (FPS) 630, *Non-PO Payments*. These payments totaled \$56,467. The payments were related to various services including advertising, software, catering, consulting, repairs, utility designation, and memberships dues. Four of the items had associated contracts. Requests for exceptions were not obtained from the County Purchasing Agent.

FPS 630 states, "All business units (departments, agencies, etc.) of the county are responsible for ensuring that Non-PO payments are used appropriately and processed in accordance with regulations and county policy. All purchases from nongovernmental or governmental sources for goods or services shall be conducted with a purchase order (PO) or procurement card (p-card) unless exempted by this policy. Exemptions for procurement of goods and services other than those identified in Attachments 1-A and 1-B must be approved by the County Purchasing Agent (Director of the Department of Procurement and Material Management (DPMM)). Departments must provide documentation of authorized exceptions to the Department of Finance (DOF)."

Utilizing the non-purchase order method to pay for unapproved items circumvents established purchasing controls and reviews and increases the risk for inappropriate purchases.

Recommendation: DPD should use the non-purchase order method for only approved categories in FPS 630. A purchase order or p-card should be used for all other purchases. Exemptions for procurement of goods and services other than those identified in FPS 630 must be approved by the County Purchasing Agent.

Management Response: All flagged payments were valid and appropriate purchases in support of DPD business needs. Some of the identified payments were processed via the Non-PO payment process by former DPD staff, and during a period of staff turnover and transition, newer DPD staff continued the use of this method to process similar payments. In addition, the central Department of Finance approved the payments, so there was not a flag to discontinue the practice. DPD staff have now set up encumbrance documents to process payments not eligible for the Non-PO payment process. DPD will continue processing purchases with a purchase order or procurement card unless exempted by FPS 630. DPD will obtain DPMM approval to use the Non-PO payment process for items not listed as approved categories in FPS 630, if warranted.

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.

3. Procurement Card Transaction Log

In our review of procurement card transactions, we noted there were three different versions of DPD's transaction log used across the sample transactions. Two versions did not contain all the required elements from Attachment C in PTB 12-1009 (i.e., sign out/sign in).

PTB 12-1009 states, "Department staff may use the example in this PTB, Attachment C, as a guide when developing a p-card transaction log. Departments should ensure that it contains all the elements as shown in Attachment C."

Failure to include all required fields on the transaction log increases the risk of fraud/error from having incomplete information on purchases and decreases accountability in the event a card is lost, or inappropriate charges are placed on the card.

Recommendation: DPD should update their procurement card transaction log to include all required elements from Attachment C in PTB 12-1009. The updated log should be used for all transactions.

Note: During the audit, IAO received a copy of DPD's updated transaction log, which included the required elements. DPD was prompt in responding to and completing this item. No follow-up will be performed for this item.

4. Employee Offboarding Checklists

In our review of five terminations and transfers, we noted that an Employee Offboarding Checklist was not completed for two employees.

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: DPD 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: The DPD personnel responsible for completing the exit clearance process for the identified exiting employees was a newer staff member who was not aware that clearance checklists were required for staff that were transferring *within* the County. That staff member has since transferred to another agency. All current staff who have responsibility for completing checklists are aware of this requirement and will provide the checklist to all employees, including those that are internal County transfers.

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.*

5. Positions of Trust

DPD’s Positions of Trust list did not include a Management Analyst IV.

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.”

Not listing all required employees on the Positions of Trust increases the risk that employees who occupy positions of trust are not subject to the required credit check.

It also increases the potential for abuse or fraud by staff who have access to sensitive/confidential information.

Recommendation: DPD should include the Management Analyst IV on the Positions of Trust and ensure a credit check is performed.

Note: *During the audit, IAO received a copy of DPD's updated Positions of Trust, which included the Management Analyst IV. IAO verified with DHR that a credit check was completed for the Management Analyst IV. DPD was prompt in responding to and completing this item. No follow-up will be performed for this item.*

6. Technical Review

In our review of procurement card transactions, we noted two purchases were made without documented evidence of technical review. The items purchased were solid state drives and a document scanner.

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 going through 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: DPD should create purchase orders in FOCUS to procure all items requiring technical review in accordance with PTB 12-1010. If the procurement method is used, DPD should utilize the technical review matrix and maintain documentation of approval from the responsible technical review department. If exemptions from technical review are granted by a technical review agency, documentation of the exemption should be maintained on file.

Management Response: DPD will use the purchase order process or receive technical review approval via email when using a procurement card for items requiring technical review.

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. Director's Statement of Responsibility

DPD did not maintain a copy of the Director's Statement of Responsibility for the former department Director, who was the department Director for most of the audit period. Furthermore, while DPD did complete the form for the current department Director, it was completed *after* the audit was initiated.

PTB 12-1009 states that the agency director must sign the "Using Director's Statement of Responsibility" form, and if the director leaves the department, When the director leaves the agency, the P-Card Program Manager shall ensure that the new director completes the form and forward the original to the DPMM Program Administrator.

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

Recommendation: DPD should complete and maintain a copy of the Director's Statement of Responsibility on file.

Note: *IAO verified that DPD completed the Director's Statement of Responsibility for the current department Director during our audit; therefore, no follow-up will be performed for this item.*