Fairfax County
Internal Audit Office

Department of Transportation
Business Process Audit
Final Report

May 2014

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Department of Transportation (DOT). The audit included review of procurement cards; FOCUS marketplace cards; and purchase orders, non-purchase orders and value line purchase order payments.

We found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions had adequate evidence of compliance with county policy. Reconciliations were independently performed and were completed in a timely manner. However, we noted the following exception where compliance and controls needed to be strengthened:

- The Reconciliation Certification Form was not complete.

Scope and Objectives

This audit was performed as part of our fiscal year 2014 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. 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 DOT's compliance with county policies for purchasing processes 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 transactions from procurement cards; FOCUS marketplace cards; and purchase orders, non-purchase orders and value line purchase order payments that occurred during the period of December 1, 2012, through November 30, 2013. For that period, the department's purchases were $84,020 for procurement cards, $33,012 for FOCUS marketplace, $127,109,224 for purchase orders and Value Line Purchase orders, and $59,391,654 for non-purchase order payments. (**NOTE:** Capital projects accounted for the majority of the values listed above for purchase orders and non-purchase orders. Our audit did not include a detailed review of the extensive supporting documentation associated with the capital projects. These capital expenditures will be covered in a separate audit.)

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

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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. Reconciliation Certification Form

While the Department of Transportation used an internal form to document the completion of the reconciliation for a specific time for their financial transactions, the form did not provide the authorization signature of the director or designee.

Accounting Technical Bulletin (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 in timely manner.

Recommendation: We recommend DOT use the Reconciliation Certification Form provided by ATB 020 to capture the department's director or designee's signature. The form should be maintained on file by the department.

Management Response: DOT staff has started using the required Reconciliation Certification Form as recommended by the ATB 20.