



Fairfax County Internal Audit Office

**Office of Emergency Management
Business Process Audit
Final Report**

December 2013

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement and reconciliation within the Office of Emergency Management (OEM). The audit included review of procurement cards; FOCUS marketplace; 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 three reportable findings during our audit:

- FOCUS marketplace procurement card usage was not reviewed on a weekly basis. However, the review was performed on a monthly basis.
- A signed Employee Acknowledgement Disclosure (EAD) Form was not on file for an employee who used the procurement card. Additionally, EAD Forms were not properly completed for two procurement card users.
- The Reconciliation Certification Form provided in Accounting Technical Bulletin (ATB) 020 was not used by the agency to document the completion of the monthly reconciliation process.

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 the Office of Emergency Management'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, purchase orders, non-purchase orders, value line purchase orders, and financial reconciliations that occurred during the period of August 1, 2012, through July 31, 2013. For that period, the department's purchases were \$112,102 for procurement cards, \$4,383 for FOCUS marketplace, \$3,119,428 for purchase orders, \$53,855 for non-purchase orders, and \$394,090 for value line 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 FOCUS Marketplace Transaction Report Review

FOCUS marketplace procurement card usage was not reviewed on a weekly basis. However, FOCUS marketplace transactions were being reviewed on a monthly basis.

Procedural Memorandums 12-02 and 12-16 require that all agencies review weekly transaction reports for unusual or unauthorized transactions for both general use p-cards and FOCUS marketplace p-cards.

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

Recommendation: We recommend that OEM perform and document weekly reviews of marketplace procurement reports which contain all items posted to FOCUS for the prior week.

IAO verified that OEM began to review and document weekly reviews of marketplace procurement reports during the audit. No follow-up is required for this item.

2. Employee Acknowledgement Disclosure (EAD) Forms

- a. During our transaction testing, we noted 2 out of 11 Employee Acknowledgement Disclosure (EAD) Forms did not have the procurement card program manager's signature.
- b. We also noted one instance where the employee who used the procurement card did not have a signed EAD Form on file. However, the individual took the online p-card training and was an authorized card user.

Procedural Memorandum 12-02 requires that all first-time card users sign and date the Employee Acknowledgement Disclosure Form. The form acknowledges the

employee's responsibilities regarding card use and sets forth consequences for misuse.

Recommendation: We recommend the program manager sign and date the EAD Form once the first-time card user completes the EAD Form. Each employee using a procurement card should have an EAD Form on file after completing the online p-card training, as required by PM 12-02.

Management Response: The two EAD Forms have been reviewed and signed by the agency program manager.

- a. A signed and dated EAD Form was provided to IAO during the course of the audit. No follow-up is required for this item.
- b. IAO verified the two EAD Forms had the procurement card program manager's signature. No follow-up is required for this item.

3. Reconciliation Certification Form

The Reconciliation Certification Form was not used during the monthly reconciliation process.

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 verified by the authorizer/approver.

Recommendation: OEM should use the Reconciliation Certification Form provided by ATB 020 to complete the reconciliation of the financial transactions for a specific period. This form should be maintained on file by the agency.

Management Response: The agency performs monthly reconciliation on all accounts as verified by the audit. In addition to the monthly account reconciliation, the agency will complete the Reconciliation Certification Form every month and keep it on file with current reconciliation documents.

IAO verified the Reconciliation Certification Form had been completed for the month of November during the course of the audit. No follow-up is required for this item.