



Fairfax County Internal Audit Office

**Office of Elections
Business Process Audit
Final Report**

May 2015

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Office of Elections. The audit included review of procurement cards; FOCUS marketplace cards; and purchase orders and non-purchase order payments.

We found that the Office of Elections had effective procedures and internal controls in place over the receiving of ordered goods. The areas where compliance and controls need to be strengthened are as follows:

- The Office of Elections could not provide documentation that showed the performance of a monthly reconciliation where supporting documentation for expenditures was verified against data in FOCUS. **Reconciliation deficiencies were noted in the 2009 Procurement Assistance and Compliance (PAC) Review, 2012 Business Process Audit, and 2013 Business Process Audit Follow-Up.**
- Items requiring technical review were purchased on the county p-card, circumventing the review process.
- Controls over maintaining adequate travel documentation and ensuring accuracy of travel reimbursements were weak. **Deficiencies in the supporting documentation for travel were noted in the 2013 Business Process Audit Follow-Up.**
- The Office of Elections did not regularly reclassify charges in the p-card clearing account in a timely manner.
- The Office of Elections did not implement prior audit follow-up recommendations to change the Merchant Category Code (MCC) group FC6 designation, which allows airline purchases, on two of their p-cards to FC1, which does not allow airline purchases, and reduce the spending limit of the remaining FC6 card. **This was a recommendation from the follow-up of the 2012 Business Process Audit.**
- One out of the 11 p-card users tested did not have a signed and authorized Employee Acknowledgement Disclosure (EAD) Form and a completed P-Card Training Certification Test on file.

Scope and Objectives

This audit was performed as part of our fiscal year 2015 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 Elections' 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, purchase orders and non-purchase order payments that occurred during the period of December 2013, through November 2014. For that period, the department's purchases were \$70,591 for procurement cards, \$48,996 for FOCUS marketplace, \$556,233 for purchase orders, and \$18,924 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. Monthly FOCUS Reconciliation

The Office of Elections could not provide any evidence that a monthly reconciliation was performed, where supporting documentation for expenditures was verified against data in FOCUS on a monthly basis. Additionally, the Office of Elections did not adhere to their own Department Reconciliation Plan (DRP). The Office of Elections finalized their DRP in October of 2014 and it was approved by the Department of Finance (DOF) in December of 2014. For procurement card transactions, the Office of Elections only verified supporting documentation against monthly card statements and the transaction log. FOCUS marketplace transactions were only verified against monthly PaymentNet reports. A monthly reconciliation or verification of Non-PO payment and purchase order supporting documentation against data in FOCUS was not performed or documented. Deficiencies in the reconciliation process were previously noted in the 2009 PAC Review, 2012 Business Process Audit, and 2013 Business Process Audit Follow-Up.

Procedural Memorandum (PM) 12-02 states that: "Agencies are required to reconcile to FOCUS on a monthly basis." PM 12-16 provides that: "Each month the agency must reconcile transactions posted to FOCUS. Reconciliation paperwork should be signed and dated to provide evidence that the reconciliation was

completed and approved, and that proper separation of duties controls are in place.” Furthermore, Accounting Technical Bulletin (ATB) 020 states: “County management has fiduciary responsibility, as custodians of public funds, to ensure the integrity of financial transactions posted to FOCUS. To ensure the integrity of the county’s financial records, county departments are responsible for performing monthly reconciliations on a timely basis at the transaction level. These reconciliations are to be carried out in accordance with a department reconciliation plan that has been approved by DOF.” ATB 020 also states that departments must “record completion of the monthly reconciliation on the Reconciliation Certification Form (ATB 020-A) and retain for audit review.”

Failure to perform and document a monthly reconciliation of expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: The Office of Elections should perform a monthly reconciliation of all transactions posted to FOCUS including p-card, marketplace transactions, Non-PO payments and purchase order payments. Completion of the reconciliation should be documented using the Reconciliation Certification Form (ATB 020-A).

Management Response: The Office of Elections has worked to improve compliance with the County’s Procedural Memoranda over the past couple of years, including office reorganization to ensure senior level administrative oversight that is not distracted by election cycles. The Office of Elections had instituted some of the steps required to complete monthly reconciliations and now has instituted full monthly FOCUS reconciliations for all transactions and will ensure compliance going forward. The Office of Elections will also train backup reconciliation personnel to ensure compliance even if key staff are unavailable. Management anticipates completing this action by June 1, 2015.

2. Technical Review

In our review of procurement card transactions, eight purchases of equipment and software requiring technical review were noted. Additionally, there was no documentation on file showing that any of these purchases were exempted from the technical review process by a responsible technical review agency. Examples of technical items purchased on the p-card included teleconference equipment and Apple iPads.

PM 12-04 states that: “Unless formally exempted by the responsible technical review agency, no agency 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.”

The purchase of technical equipment and software on the county procurement card circumvents the technical review process. The technical review process is in place to ensure agencies purchase technical equipment and software that is compatible with the county’s systems and is up to the county’s standards. This process also

ensures that agencies purchase from contracted vendors with proper support for the products they sell to the county and discounted prices.

Purchasing technical items on the p-card increases the risk of overpayment for goods, purchases not compatible with the county's systems or not compliant with the county's standards, and purchases from a vendor that does not offer adequate technical support.

Recommendation: The Office of Elections should use purchase orders in FOCUS to procure equipment and software requiring technical review. Office of Elections procurement staff should review PM 12-04m, Technical Review Category Matrix, prior to making any purchases of technical equipment or software. If clarification is needed or questions arise regarding the procurement of technical equipment or software, the responsible technical review staff listed in PM 12-04m should be contacted. If exemptions from technical review are granted by a tech review agency then documentation of the exemption should be maintained on file.

Management Response: The Office of Elections has standalone systems not connected to Fairfax County systems (by state law) and that are not maintained by DIT. However, the Office of Elections verbally discussed some of these purchases with DIT for direction prior to making the purchase. The Office will, in going forward, obtain written documentation of review/communications with tech review agencies and their recommended course of action. Management anticipates completing this action by June 1, 2015.

3. Non-Local Travel

A. Procurement Card Documentation

Of the 14 travel related charges on the procurement card in the audit sample, two of these charges did not have receipts or alternate supporting documentation on file. Deficiencies in p-card travel documentation were also noted in the 2013 Business Process Audit Follow-Up.

PM 12-02 states that: "If, for any reason, an original, alternate, or photocopied receipt is unavailable, a memorandum providing the purchase details and the reason why a receipt is not available must be included with the appropriate monthly statement or weekly transaction detail report."

Without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

Recommendation: The Office of Elections should ensure sufficient receipt documentation, as specified by PM 12-02, is maintained on file for all procurement card transactions.

Management Response: Since 2013, the Office of Elections started implementing changes to staff and processes supporting procurement and P-card

use. In addition, to ensure staff is properly trained the Office of Elections has requested travel voucher/authorization training from DOF for all personnel that travel for the agency and/or that process travel documentation. Management anticipates completing this action by June 1, 2015.

B. Incorrect Reimbursement Amount

One of the five non-local travel reimbursements reviewed contained multiple errors and was processed for the incorrect amount. Prior to the trip, the traveler completed a Travel Authorization Form with estimated expenses of \$269.50, which was approved. Upon return, the traveler completed a Travel Expense Voucher for actual expenses of \$214.54, which contained incorrect per diem calculations, and was approved. Office of Elections financial staff then created and approved a Payment Request Form for \$269.50 and the traveler was reimbursed this amount. The correct reimbursement with the accurate per diem calculations for this trip was \$244.54. Offices of Elections staff were not aware of this error prior to the audit. During the audit, the traveler reimbursed the county for the difference of \$24.96.

Travelers must be reimbursed the correct and allowable per diem and expenses associated with non-local travel. The amount listed on the approved Travel Expense Voucher must match the total on the Payment Request Form and the amount reimbursed to the traveler.

Inadequate review of travel reimbursements increases the risk of incorrect reimbursements being processed. This error was a direct result of a lack of monthly review and reconciliation of procurement transactions.

Recommendation: The Office of Elections should only process reimbursements for non-local travel when the Travel Expense Voucher matches the Payment Request Form. These forms should not be approved without a proper review of per diem calculations. Further, the Office of Elections should perform a monthly review and reconciliation of all expenditures, including travel reimbursements, to ensure the accuracy of transactions posted to the county's financial system.

Management Response: Since 2013, the Office of Elections started implementing changes to staff and processes supporting procurement and P-card use. In addition, to ensure staff is properly trained the Office of Elections has requested travel voucher/authorization training from DOF for all personnel that travel for the agency and/or that process travel documentation. Management anticipates completing this action by June 1, 2015.

4. P-Card Clearing Account

Of the 50 sample p-card transactions reviewed, 22 were not cleared out of the 544540 clearing account within 30 days of the transaction posting date. Additionally, one of these 22 transactions was never reclassified.

PM 12-02 states: "If transactions post to a clearing account (general ledger 544540), the agency is required to clear all charges and credits to the proper expenditure account within one month."

Failure to properly classify procurement card expenses in a timely manner misstates departmental financial reports, increasing the risk of management making decisions based on inaccurate financial information.

Recommendation: The Office of Elections should clear all transactions posted to account 544540 within 30 days of the posting date.

Management Response: The Office of Elections will comply with this audit recommendation and address this finding. Management anticipates completing this action by June 1, 2015.

5. Merchant Category Codes (MCC) Group Controls

All of the Office of Elections procurement cards were designated as FC6, which is a MCC control group that allows the purchase of airline tickets. In the exit meeting for the follow-up of the 2012 Business Process Audit, Department of Purchasing and Supply Management (DPSM) staff made a recommendation that the Office of Elections change two of their cards to FC1, which does not allow airline ticket purchases, and reduce the card limit of the remaining FC6 card. At that time, there had been a recent fraud on an Office of Elections p-card for the purchase of airline tickets. IAO and Office of Elections staff agreed with this recommendation. As of this audit, no changes to the MCC group controls have been made to any of the cards. Maintaining three p-cards with the FC6 designation increases the risk of fraudulent airline purchases.

Recommendation: The Office of Elections should contact DPSM and change two of their FC6 cards to the FC1 designation and reduce the spending limit of the remaining FC6 card.

Management Response: The Office of Elections is reviewing the expenditure history of the three cards with DPSM and will reconsider card limits. The Office of Elections will further investigate and consider changing the FC6 designations on one or two of the three cards. When the review is completed on the expenditure history, and after further testing the FC6 designations, the Office of Elections will update the auditors on what changes it will permanently pursue. Management anticipates completing this action by July 30, 2015.

6. Employee Acknowledgement Disclosure Form & P-Card Certification Test

One of the 11 card users who used the p-card in our audit sample did not have a signed, dated and approved EAD form on file. Additionally, the Office of Elections did not have a completed P-Card Training Certification Test on file for this staff member.

PM 12-02 states: "All first time p-card users must sign an Employee

Acknowledgement Disclosure Form after taking the online Procurement Card User Training...and passing the certification test. The completed test should then be attached to the EAD form.”

Card use by staff who have not signed the EAD form or completed the P-Card Training Certification Test increases the risk of purchases made by improperly trained staff who are not aware of their responsibilities.

Recommendation: The Office of Elections should maintain an EAD form and a P-Card Training Certification Test on file for all card users.

During the audit, the Office of Elections provided a newly signed and dated EAD form and a completed P-Card Training Certification Test for the card user who did not complete these documents prior to using the county p-card. No follow-up is necessary for this item.