



Fairfax County Internal Audit Office

Office of Community Revitalization
Business Process Audit
Final Report

January 2016

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Office of Community Revitalization (OCR). The audit included review of procurement cards; FOCUS marketplace cards; purchase orders and non-purchase order payments; and monthly reconciliations.

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. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Monthly reconciliations did not include transactions from all purchasing functions, only p-card and FOCUS marketplace transactions were reconciled.
- A laptop requiring technical review was purchased on the agency procurement card, circumventing the technical review process.

Scope and Objectives

This audit was performed as part of our fiscal year 2016 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 OCR'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, and non-purchase order payments that occurred during the period of September 1, 2014, through August 31, 2015. For that period, the department's purchases were \$22,502 for procurement cards, \$11,312 for FOCUS marketplace, \$7,999 for purchase orders, and \$4,459 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. Technical Review

In our review of procurement card transactions for OCR, one purchase requiring technical review was noted. A laptop was purchased using the agency procurement card which was not routed through the appropriate technical review process.

Procedural Memorandum (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.” Further, the Technical Review Category Matrix provides that technical review is required before any purchase of a laptop greater than \$100.

The purchase of technical equipment on the county procurement card circumvents the technical review process. 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: We recommend OCR create purchase orders in FOCUS to procure equipment requiring technical review. OCR staff should review PM 12-04m, Technical Review Category Matrix, prior to making any purchases of technical equipment. 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 technical review agency then documentation of the exemption should be maintained on file.

Management Response: Effective immediately, the OCR will create purchase orders in FOCUS to procure equipment requiring a technical review in accordance with PM 12-04m, Technical Review Category Matrix. The OCR staff has been briefed regarding this requirement, and a link to the PM 12-04m matrix forwarded to them.

Management states this action was completed on December 4, 2015, however, IAO will follow up on this item.

2. Monthly FOCUS Reconciliation

While OCR performed timely and accurate reconciliations of p-card and FOCUS marketplace transactions, purchase orders and non-purchase order payments were not reconciled to data in FOCUS for the period reviewed. Additionally, the Reconciliation Certification Form was not used to record completion of monthly reconciliations.

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 reconcile all transactions posted to FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: We recommend OCR perform a monthly reconciliation of all transactions posted to FOCUS. Completion of the reconciliation should be documented using the Reconciliation Certification Form (ATB 020-A).

Management Response: Effective September 2015, the OCR has been performing a monthly reconciliation of all transactions posted to FOCUS, and has documented completion of the FOCUS reconciliation using the Reconciliation Certification Form (ATB 020A).

Management states this action was completed on September 30, 2015, however, IAO will follow up on this item.