



Fairfax County

Internal Audit Office

**Civil Service Commission
Business Process Audit
Final Report**

December 2016

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Civil Service Commission (CSC). The audit included review of procurement cards, FOCUS marketplace cards, non-purchase orders, 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. Reconciliations were performed and were completed. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- CSC's Internal Control Procedures (ICP) were not approved by the Department of Procurement and Material Management (DPMM). During the audit, the Internal Audit Office (IAO) verified that the ICP was submitted to and approved by DPMM.
- FOCUS reconciliations were not properly documented.
- The weekly review of FOCUS marketplace and procurement card transaction reports was not being properly performed.
- FOCUS marketplace receiving was not properly documented.

Scope and Objectives

This audit was performed as part of our fiscal year 2017 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 the Civil Service Commission'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 and non-purchase order payments that occurred during the period of October 2015, through September 2016. For that period, the department's purchases were \$3,159 for procurement cards, \$2,270 for FOCUS marketplace, and \$27,077 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. Internal Control Procedures

While CSC had developed written internal control procedures, the procedures were not approved by DPMM. Procedural Memorandum (PM) 12-02 requires that all using agencies establish procurement card internal control procedures that govern card security, use, and accounting specific to their operations. These procedures are to be submitted to the DPSM program administrator for approval.

Failure to obtain approval for updated departmental internal control procedures increases the risk that operating procurement card procedures might not be in compliance with county policy.

Recommendation: We recommend CSC submit updated internal control procedures to DPSM for approval.

Note: During the audit, CSC submitted the updated internal control procedures to DPMM for approval. The Internal Audit Office (IAO) verified that the ICP was approved by DPMM. No management response is needed. IAO will not follow-up on this item.

2. Procurement Card and FOCUS Reconciliations

While there was evidence to indicate that procurement card and FOCUS reconciliations were performed, there was no evidence to indicate who performed the reconciliations and when they were performed for three of the three months reviewed. Additionally, CSC was not using the Reconciliation Certification Form to document the completion of the reconciliation for a specific time for their financial transactions.

PM 12-02 requires that all agencies reconcile receipts and charge slips to the weekly transaction report or to the monthly bank statement in a timely manner. In addition, these reports are to be reconciled to amounts posted as expenditures in FOCUS. Once completed, the reconciler is required to sign and date the documents.

Additionally, Accounting Technical Bulletin 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.

Failure to document the date reconciliation is performed and the name of the reconciler decreases the accountability for processing the reconciliation in a complete and timely manner, by someone independent of card purchases.

Recommendation: Reconciliation should be performed on a monthly or weekly basis. Once the reconciliation is complete, the preparer should sign and date the documents settled to evidence that the reconciliations are performed in a timely

manner by someone independent of the card user. Furthermore, CSC should use the Reconciliation Certification Form to capture the department's director or designee's signature to indicate that reconciliation was completed for a specific period for the financial transactions. The documentation supporting the reconciliation and the form should be maintained on file by the agency.

Management Response: The Civil Service Commission (CSC) has been completing monthly FOCUS reconciliations and will continue to do so. Staff will utilize the appropriate form. With two people in the CSC office, the use of the procurement card is discussed and approved by both parties ahead of any use, and then initialed by both parties after use.

Note: Management states that this recommendation has been implemented, however, IAO will follow up on the recommendation after December 20, 2016.

3. PaymentNet Weekly Transaction Report Review

The PaymentNet weekly transaction reports for procurement card usage were incorrectly printed. IAO noted instances where the report printed by CSC was blank and it was supposed to have transactions. However, the PaymentNet Statement Detail report was printed out and reviewed on a monthly basis. In addition, the PaymentNet reports for marketplace transactions were not printed out and reviewed weekly. Instead, they were being reviewed as part of the monthly reconciliation process.

PM 12-02 requires that all agencies review weekly transaction reports for unusual or unauthorized transactions.

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

Recommendation: We recommend CSC perform and document weekly reviews of procurement card and marketplace transaction reports which contain all items posted to the bank for the prior week. Once the review is complete, the reviewer should sign and date the report.

Management Response: Effective immediately, the Administrative Assistant IV will do a weekly review of the procurement card and market place transaction report.

Note: Management states that this recommendation has been implemented, however, IAO will follow up on the recommendation after December 20, 2016.

4. FOCUS Marketplace Receiving

Eight of the eleven FOCUS marketplace packing slips reviewed were not either signed or dated. Five of these eight transactions were stamped with the Civil Service Commission name and date on the packing slips. However, there was no initial to indicate the receiving person.

PM 12-16 requires that all agencies verify goods received against the packing list and

the original order. The packing list should then be signed and dated to document proper receipt of goods.

Failure to adequately document the receipt of purchases increases the risk that erroneous or inappropriate charges to the procurement card could go undetected or not be corrected in a timely manner.

Recommendation: CSC should ensure that all packing slips are consistently reviewed, initialed and dated by the receiving staff member

Management Response: Goods are received by either the Executive Director or the Administrative Assistant IV. Starting immediately, the packing slip will be stamp dated and initialed by the receiver.

Note: *Management states that this recommendation has been implemented, however, IAO will follow up on the recommendation after December 20, 2016.*