



Fairfax County Internal Audit Office

DPWES Stormwater Management

- *Stormwater Planning Division*
- *Maintenance and Stormwater Management Division*
- *Urban Forest Management Division*

Business Process Audits Final Report

August 2016

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement and reconciliation within the Department of Public Works and Environmental Services (DPWES) Stormwater Planning Division (SPD), Maintenance and Stormwater Management Division (MSMD), and Urban Forest Management Division (UFMD). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase order payments, value line purchase orders, monthly reconciliations, and revenue collections.

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:

- Of the 12 monthly FOCUS reconciliations reviewed for all divisions, five were not performed timely.
- Sales taxes totaling \$79.38 were inappropriately paid on four of the twenty two SPD procurement card samples tested.
- Of the 11 MSMD employees who used the procurement card in our audit sample, two 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 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 DPWES Stormwater 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, value line purchase orders, and non-purchase order payments that occurred during the period of March 1, 2015, through February 29, 2016. For that period, Stormwater Management's purchases were broken down as follows:

Stormwater Planning Division

Purchases were \$39,922 for procurement cards, \$98,253 for purchase orders, and \$5,062 for non-purchase order payments.

Maintenance and Stormwater Management Division

Purchases were \$102,341 for procurement cards, \$2,726,479 for purchase orders, and \$367,103 for non-purchase order payments.

Urban Forest Management Division

Purchases were \$13,048 for procurement cards, \$88,930 for purchase orders, and \$2,085 for non-purchase order payments.

Stormwater Management had only one FOCUS marketplace card. Total FOCUS marketplace purchases for all Stormwater divisions were \$36,950.

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. Timely FOCUS Reconciliations

Our review of FOCUS reconciliations for all divisions of Stormwater Management noted that five of the twelve reconciliations tested were not performed timely. In some cases reconciliations were performed up to 60 days late, with December transactions being reconciled in early April. However; all reconciliations were found to be comprehensive and complete.

Accounting Technical Bulletin (ATB) 020 states that "Reconciliation activities at the transaction level should be completed no later than the last day of the following month." Failure to perform a timely reconciliation of expenditures increases the risk of erroneous or inappropriate charges going undetected.

Recommendation: Stormwater Management should perform monthly reconciliations of expenditures no later than the last day of the following month. If the primary reconciler is unable to perform these duties, a backup reconciler should be in place to complete the reconciliations as needed.

Management Response: Stormwater Management has two positions that are responsible for the reconciliations at MSMD. One primary and one backup. The primary position became vacant in October 2015. The backup was a new employee and once trained, worked on the reconciliations along with other tasks due to the vacancy. Stormwater Management then went into Snow Removal in December 2015 which lasted into February 2016. All staff respond to these events. The backup is assigned to the Operations Center during the events. The primary was hired on February 20, 2016. Stormwater Management is aware of the requirements and will continue to strive to meet them. Management states that these actions are complete.

2. Sales Tax Exemption - SPD

Virginia sales tax totaling \$79.38 was inappropriately paid on four of the 22 procurement card transactions tested for SPD.

Procedural Memorandum (PM) 12-02, Use of the County Procurement Card, states that: "Most county purchases are exempt from Virginia state sales tax. When making a p-card purchase, users should remind the vendor of our tax exempt status and examine the receipt to verify sales tax was not charged."

Failure to ensure sales taxes were not paid on exempt purchases leads to a waste of county funds.

Recommendation: SPD should ensure that card users and purchase approvers are aware of the county's Virginia sales tax exempt status. Card users should notify vendors of the county's tax exempt status and review receipts immediately after a purchase to ensure that sales tax was not incorrectly charged. Transaction documentation and weekly transaction detail reports should be reviewed to ensure the propriety of sales tax charges. When staff who review this documentation note that sales taxes were incorrectly paid, they should contact the vendor and seek a refund. Consideration should be given to revoking the card use privileges of card users who repeatedly pay sales tax on tax exempt goods and services.

Management Response: The P-Card Program Manager and the P-Card user for SWPD have been coached and re-trained. The MA IV will continue to monitor their P-Card activities. Management states that this action is complete.

3. Employee Acknowledgement Disclosure Form & P-Card Certification Test - MSMD

Two of the 11 staff members who used the p-card in our MSMD audit sample did not have a signed, dated and approved EAD form or a completed P-Card Training Certification Test on file.

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: MSMD should maintain a signed EAD form and P-Card Training Certification Test on file for all card users.

During the audit, MSMD provided newly signed and dated EAD forms and completed P-Card Training Certification Tests for the card users who did not complete these documents prior to using the county p-card. No management response is necessary for this item.