



Fairfax County Internal Audit Office

**Department of Vehicle Services
Business Process Audit
Final Report**

May 2016

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Department of Vehicle Services (DVS). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, 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 independently performed and were completed in a timely manner. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- All procurement card transactions were recorded in a database; however, a written log was not used to track the possession of eight of the twenty procurement cards.
- Food purchases made with procurement cards were not supported by itemized receipts.
- There were no separation of duties or compensating controls for the receipt and logging of checks received in the administrative office.
- A signed Using Agency Director's Statement of Responsibility was not submitted to the Department of Purchasing and Supply Management (DPSM).

We commend the DVS staff for responding to audit requests in a prompt and timely manner.

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 DVS 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 orders that occurred during the period of December 2014, through November 2015. For that period, the department's purchases were \$18,385,409 for procurement cards, \$25,281 for FOCUS marketplace, \$26,669,171 for purchase orders, and \$15,930 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. Transaction Log

The p-card transaction log did not reflect the timeframe that the card was in the possession of the card user. DVS tracked the usage of the Travel Training cards (4, 7, 14 & 15), West Ox Misc. and Alban Misc. p-cards with an access database that was located in a network folder. The online log did not require the card user to physically sign when the card was checked in/out, thus it did not give an accurate indication of who was in possession of the p-card during a given time frame.

Procedural Memorandum (PM) 12-02 states that "A system that tracks possession of the p-cards and records p-card purchases as they occur must be in place." If possession of the p-card is not accurately tracked, the risk of not identifying fraudulent transactions in a timely manner is increased. Since the bank does not offer as much fraud protection for departmental cards as named cards it is imperative to accurately and completely track the possession and usage of the p-cards.

Recommendation: We recommend DVS develop and implement a p-card transaction log template that requires each individual who uses the departmental p-card to physically sign the log and indicate the date they took possession of the card and when the card was returned.

Note: During the audit, DVS implemented the use of a written procurement card transaction log to track the possession of the card. No management response is needed; however, Internal Audit Office (IAO) will follow up on this item.

2. Itemized Receipts

Itemized receipts were not retained to support the purchase of meals while traveling on County business. PM 06-03, *Fairfax County Travel Policies and Procedures*, states "Whenever the county procurement card is used for travel, original, itemized receipts are required and are to be submitted and retained by the department credit card custodian." Failure to sufficiently document these transactions increases the risk for inappropriate charges to the procurement cards and potential negative press for the county.

Recommendation: DVS should retain itemized receipts to properly document all meals purchased while traveling on county business.

Management Response: DVS requests that travelers submit itemized receipts for meals, however, we have found instances when personnel on travel have submitted P-Card receipts without the receipts itemizing the individual meals items. The DVS Travel Coordinator (TC) has been made aware of these occasions and the recent findings in the audit. The TC will stress the importance of retaining and submitting itemized meals receipts, and if necessary, the traveler will be directed to request the receipt if not provided by the venue. The TC will be strengthening pre-travel meetings during which he will discuss this and other travel documentation requirements. This requirement will also be highlighted in a Travel Tip Sheet to be provided to travelers.

In addition, DVS will emphasize the itemized receipt requirement to the DVS Awards Coordinator and Maintenance Facility Staff who are responsible for purchasing meals for the annual DVS award event. Management anticipates completion of this item by May 25, 2016.

3. Separation of Duties

We noted that the same individual was responsible for receiving, logging, depositing and reconciling salvage remittance checks received by DVS. However, each deposit, FOCUS entry, and reconciliation was reviewed and approved by a supervisor.

Per ATB 40070, *Processing Monetary Receipts*, "Departments are required to develop a system of checks and balances so that no individual person is responsible for the completion of all steps in processing monetary receipts." This includes the receipt and tracking of outstanding remittances.

If there is no separation of duties or compensating controls for the receipt and logging of funds received, the controls that are in place are rendered ineffective. This allows for the possibility that funds received by DVS could be misappropriated or misplaced.

Recommendation: We recommend compensating controls be put in place to allow for oversight of the monetary receipt process. Since salvage remittances make up the bulk of checks received by DVS, we recommend that a copy of the salvage ticket be given to a person independent of the receipt process. At the end of each month this individual can review the log and match checks received to the appropriate tickets. This individual will also track long outstanding tickets and look for tickets that are not properly logged.

Management Response: DVS received approximately \$30,000 for reimbursements via mailed checks for salvage reimbursements and fraud restitution during the audit period. DVS concurs with the recommendations to implement additional controls in the check receipt process. As an alternative to the recommendation, DVS proposes the following process: the Administrative Assistant III logs tickets; the Financial Specialist II matches and logs checks; and the Financial Specialist III reviews logs and directs Financial Specialist II to follow up on outstanding checks. Management

anticipates completion of this item by June 1, 2016.

4. Using Agency Director's Statement of Responsibility

DVS did not forward a signed copy of the Using Agency Director's Statement of Responsibility to DPSM. PM 12-02 states that: "The agency director is required to sign this form prior to the agency's initial participation in the p-card program. When the director leaves the agency, the Program Manager should have the new director sign the form and forward the original to DPSM."

Failure to have a signed Using Agency Director's Statement of Responsibility on file decreases accountability and increases the risk of operating the p-card program outside of County guidelines.

Recommendation: We recommend DVS forward the signed Using Agency Director's Statement of Responsibility to DPSM and maintain a copy at the agency.

Note: During the audit, the form was signed and forwarded to DPSM. No management response is needed for this item.