



# **Fairfax County**

# **Internal Audit Office**

**Juvenile & Domestic Relations District Court Services  
Business Process Audit  
Final Report**

**April 2016**

***"promoting efficient & effective local government"***

# Executive Summary

We performed a business process audit covering procurement and reconciliation within Juvenile and Domestic Relations District Court Services (JDRDC). The audit included review of procurement cards; FOCUS marketplace cards; purchase orders (PO), non-purchase orders, value line purchase order payments; cash/check receipts; and monthly reconciliations.

We found that in general 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:

- Cash and check deposits were not properly documented and made to the County's bank account in a timely manner.
- A check log was not used to document checks/cash received over the counter or in the mail.
- FOCUS reconciliations were not properly documented for POs, value-line POs, and non-PO payments.
- Non-PO payment method was used to purchase supplies that did not meet the approved categories.
- JDRDC used an internal non-local travel request form for pre-approval that did not include the necessary information regarding the costs of the trip.
- The p-card log did not accurately track possession of the departmental cards.
- Receipt of goods ordered through FOCUS marketplace was not properly documented.
- Monthly purchase limits were not in line with actual spending.
- Items requiring technical review were purchased without going through the proper 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 JDRDC's compliance with county policies for purchasing processes, cash/check receipts, 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 POs, non-purchase orders, and cash receipts that occurred during the period of September 2014, through August 2015. For that period, the department's purchases were \$202,544 for procurement cards, \$80,543 for FOCUS marketplace, \$3,079,589 for POs and value-line POs, \$172,819 for non-purchase order payments, and \$553,034 in cash receipts.

## 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, cash/check receipts procedures, 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. Cash and Check Collection

Six of the ten cash and check deposits reviewed were not supported by proper documentation. Of the six, one deposit of cash collected during a fundraising event did not include the date of the event, verification of who received the funds, and when it was received. In addition, five deposits reviewed did not indicate the date that the checks were received. Finally, three of the ten deposits reviewed were not made to the County's bank account in a timely manner. For instance, a check in the amount of \$82,726 received on Friday, June 19, 2015 was not deposited until Wednesday, June 24, 2015.

Per ATB 40070, "File the deposit ticket copies and documentation supporting the deposit. File the yellow copy of the bank deposit slip with all original documentation supporting the deposit. (Original documentation may include a record of checks and cash received, copies of checks, adding machine tapes...or other department records that may be helpful during an audit.)" Also, "Departments that collect monetary receipts for Fairfax County must ensure that all monetary items are deposited to the County's Bank accounts and recorded...no later than the next business day after receipt of funds."

Failure to document the receipt of cash and checks properly as well as deposit them in a timely manner increases the risk of loss of funds by human error or fraud.

**Recommendation:** JDRDC should ensure that all monetary receipts are documented properly. This includes verification of the amount of funds received, date the funds were received, and from whom they were received. Additionally, all monetary items should be deposited to a County controlled bank account in a timely manner.

**Management Response:** A receipt book is used to document the amount received, the date the funds were received, and from whom, they were received. Cashpro online deposit software and a check scanner provided by the Department of Finance (DOF) were installed to ensure that checks are deposited in a timely manner. A copy of the check, receipt, deposit slip, and any other necessary documentation are kept in the file in Court Services Unit (CSU) Administration. Management anticipates completion of this item by April 12, 2016.

## 2. Check Processing

When JDRDC received checks and cash in the mail or over the counter for services rendered or donations, they did not log the checks or cash in an established journal. The current journal records only the total deposit amount and the number of checks included in the deposit. Additionally, the checks were not immediately restrictively endorsed by the person receiving the payment.

ATB 40070 requires that checks received through the mail be logged in an established journal and then restrictively endorsed. Failure to log and restrictively endorse checks received in the mail decreases accountability, increases the risk of errors due to misplaced checks and increases the potential for check fraud.

**Recommendation:** We recommend JDRDC maintain an accurate handwritten log of checks and cash received in the mail and ensure the checks are restrictively endorsed soon after they are received. The log should indicate the date check/cash was received, the check number, the amount, the payee, and the reason for the payment.

**Management Response:** A handwritten log will be completed by each location that receives checks which indicates the date check/cash was received, the check number, the amount, the payee, and the reason for the payment. All units will complete a revenue tracking log that will be submitted to CSU Administration and used as a part of the monthly reconciliation. Any checks received at the CSU Administrative Office will be recorded in a receipt booklet and the digital Internal Revenue Tracking log. To ensure checks are restrictively endorsed upon receipt, endorsement stamps will be ordered for all units that receive revenue. Management anticipates completion of this item by June 30, 2016.

## 3. Monthly FOCUS Reconciliations

While the reconciliation of procurement card and FOCUS marketplace were properly performed and documented, JDRDC did not properly document the reconciliations of POs, Non-POs, and value line POs. The report that was used by the agency to review expenditures including POs, value-line POs, and non-POs did not contain necessary information such as document numbers and in some instances descriptions of the goods purchased to provide the reconciler with an accurate and complete understanding of the items to be reconciled.

ATB 020, *Reconciliation of Financial Transactions*, requires that a detailed review of

expenditures be completed and documented on a monthly basis.

**Recommendation:** We recommend JDRDC update their reconciliation report for purchasing functions to include document numbers and descriptions of goods purchased for POs, Value-Line POs and Non-POs.

**Management Response:** The document number and predecessor document number was added to the FOCUS monthly monitoring report used for reconciliation. The invoice tracking log used to reconcile against the FOCUS monthly monitoring report will be attached to the monthly reconciliation as backup documentation. Management anticipates completion of this item by April 12, 2016.

#### 4. Non-Purchase Order Payments

JDRDC purchased 3,000 custom file folders using the Non-Purchase Order method for a total value of \$4,020. The items purchased were not listed as an exemption in Financial Policy Statement (FPS) 630.

Per FPS 630 “All distinct business units (departments, agencies, etc.) of the county are responsible for ensuring that Non-PO payments are used appropriately and processed in accordance with regulations and county policy. All purchases from nongovernmental or governmental sources for goods or services shall be conducted with a purchase order or procurement card (p-card) unless exempted by this policy.”

Using a Non-PO to purchase an unapproved item circumvents established purchasing controls and reviews, increasing the risk for inappropriate purchases.

**Recommendation:** JDRDC should use the Non-PO payment method only for purchases that are listed as approved categories for Non-PO payment vouchers in FPS 630. A purchase order or p-cards should be used for all other purchases. Exemptions for procurement other than those identified in FPS 630 must be approved by the County Purchasing Agent. Documentation of authorized exceptions should be provided to DOF and kept on file.

**Management Response:** Staff has reviewed FPS 630 and will use the Non-PO payment method only for items listed. Documentation for all exceptions will be provided to DOF and kept on file for auditing purposes. Management anticipates completion of this item by April 12, 2016.

#### 5. Travel Authorization Form

Seven of the seven JDRDC Non-Local Travel Request Forms reviewed did not include all the necessary information to appropriately pre-approve the non-local travel request. The form created by JDRDC documented the pre-approval of lodging/hotel, airfare, meal per diem, ground transportation, rental car, and other (incidentals); however, it did not include estimated costs for these items.

Per Procedural Memorandum (PM) 06-03 the Travel Authorization Form is “used as

pre-approval for the traveler to incur reimbursable and/or travel-related procurement card expenses and to obtain a travel advance for those expenses that cannot be paid via procurement card.”

Failure to include estimated costs on a travel authorization form prior to incurring expenses for business travel increases the risk of inappropriate or unauthorized travel, per diem and lodging expenses.

**Recommendation:** To maximize efficiency and controls the County’s official Travel Authorization Form should be the sole form completed by the traveler and pre-approved by an authorized approver. However, if completion of the County’s official Travel Authorization Form by the traveler prior to the trip is not possible, JDRDC’s internal non-local travel request form could be used but should be updated to include the estimated cost of all foreseeable expenses and indicate whether the expense will be incurred by the County or the individual.

**Management Response:** The internal Travel Authorization Form will be updated to include an estimated cost of all foreseeable expenses and indicate whether the expense will be incurred by the County or the individual. The updated form will be distributed to all staff and implemented as a part of non-local travel procedures. Management anticipates completion of this item by June 30, 2016.

## 6. P-Card Transaction Logs

The p-card transaction log did not reflect the timeframe that the card was in the possession of the card user. The log used by JDRDC did not require the card user to physically sign/date when the card was returned, thus it did not give an accurate indication of who was in possession of the p-card during a given time frame.

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 that card users sign and date when the card was checked in on the transaction log.

*Note: During the audit, a new procurement card log was developed and implemented by JDRDC which tracked when the card was signed out and when it was returned. No management response is needed; however, IAO will follow up on this item.*

## 7. FOCUS Marketplace Documentation

Four of the twenty-five FOCUS marketplace transactions tested did not have signed and dated packing slips. Two of the four lacked the packing slip to support the purchases. 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 prevents the assurance of an adequate separation of duties. It also increases the risk that erroneous or inappropriate charges to the procurement card could go undetected or not be corrected in a timely manner.

**Recommendation:** We recommend the receiving individual perform a review of items received against the packing slip and the original order. The receipt of the items must be documented by the receiver signing and dating the packing slip. The packing slip should be kept on file along with the original invoice and any other necessary documentation.

**Management Response:** Emails have been sent, and will continue to be sent, reminding all marketplace shoppers of the process to ensure that deliveries be checked in, packing slips dated and signed before forwarding all back up documentation to CSU Administration for reconciliation. Staff members that complete the monthly marketplace reconciliation will follow up with shoppers that have not provided the appropriate documentation for marketplace orders in a timely manner. All documentation will be kept in the reconciliation file in Administration. Management anticipates completion of this item by April 12, 2016.

## 8. Card Limits Control

An analysis performed on card limitation controls for JDRDC's p-cards for the period September 2014 through August 2015, revealed that the monthly spending limits were set significantly higher than the actual amount spent for nine of the ten agency procurement cards.

The county has limited dispute rights for fraudulent charges on departmental cards and agencies are liable for fraudulent charges until such cards are reported to the bank as lost or stolen. Setting the procurement card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

**Recommendation:** We recommend JDRDC review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs.

*Note: During the audit, JDRDC reviewed the limits for each departmental p-card and appropriately lowered the credit limits. No management response is needed.*

## 9. Technical Review

A guest chair, coat rack, and end table were purchased using a purchase order without going through the proper technical review from the Facilities Management Department (FMD). While a shopping cart was created in FOCUS for these items, the National

Institute of Government Purchasing (NIGP) codes used for the purchase were not correct and did not initiate the appropriate technical review process for the items purchased.

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.”

Purchasing technical equipment without proper technical review 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 technical support.

**Recommendation:** We recommend JDRDC staff review PM 12-04m, Technical Review Category Matrix prior to making any purchases of technical equipment to ensure the appropriate NIGP code is used when creating a shopping cart. If clarification is needed or questions arise regarding the procurement of technical equipment, the responsible technical review staff listed in PM 12-04m should be contacted. If exemptions from technical review are granted by the technical review agency then documentation of the exemption should be maintained on file.

**Management Response:** Reminder emails were sent, and will continue to be sent, to all units with purchasing authority notifying them that prior to making any purchases of technical equipment or furniture they must review the Technical Review Matrix. Staff will ensure that all purchases requiring technical review will be done in accordance with PM 12-04m. The proper category code (NIGP) will be selected based on the Technical Review Matrix and if exemptions from technical review are granted by the technical review agency then documentation of the exemption would be maintained on file. Management anticipates completion of this item by April 12, 2016. Completion of these items by April 12, 2016.