



Fairfax County Internal Audit Office

**Sheriff's Office
Business Process Audit
Final Report**

March 2017

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Sheriff's Office. The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase orders, monthly reconciliations, and verifying compliance with Personnel/Payroll Administration Policies and Procedures (PPAPP). The areas covered in PPAPP included time/attendance system and controls, attendance/absence reporting, employee clearance record processing, credit check requirements for positions of trust, and procedures for completing criminal background investigations for employment in sensitive positions or designated volunteer roles.

We noted the following exceptions where compliance and controls needed to be strengthened:

- Deficiencies were noted in the reconciliation process regarding the adequacy of supporting documentation, separation of duties, and departmental procedures.
- One instance was noted where a maintenance agreement was signed prior to the creation of a purchase order in FOCUS.
- Quotes were not solicited for two of the 20 purchase orders tested.
- Control weaknesses were noted in our review of time entry and approval where staff members were both recording and approving the same time entry transaction.
- Our audit reviewed the supporting documentation for ten terminated employees, and none received a copy of their Employee Clearance Record Checklist.
- The physical security of three of the Sheriff's Office procurement cards were not adequately maintained as required by county policy.
- Multiple instances were noted where procurement card transaction logs were either not filled out completely or the log was missing data entry fields necessary to track card use.
- We noted 22 of the 34 card users in our audit sample were not in compliance with county policy regarding Employee Acknowledgement Disclosure Forms and P-Card Certification Training Tests.
- Our audit noted seven instances where items requiring technical review were purchased on a county procurement card.
- Controls over tracking gift cards purchased were not adequate.
- There were three instances noted where split purchases were made.

- Six of the transactions reviewed (three p-card, and three FOCUS marketplace) were not supported by signed and dated packing slips to evidence accurate receipt.
- The Sheriff's Office did not have a current Using Agency Director's Statement of Responsibility on file.

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 Sheriff's Office compliance with county policies and procedures for purchasing processes, personnel/payroll administration, 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 orders that occurred during the period of July 1, 2015, through June 30, 2016. For that period, the department's purchases were \$563,646 for procurement cards, \$141,064 for FOCUS marketplace, \$9,316,929 for purchase orders, and \$443,974 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. Monthly FOCUS Reconciliation

A. Reconciliation Documentation

The Sheriff's Office completes two separate expenditure reconciliations: one for procurement cards and the other for purchase orders, non-purchase orders, and

FOCUS marketplace transactions. While all procurement card reconciliations tested were completed without exception, the Sheriff's Office could not provide sufficient documentation to evidence the performance of a monthly reconciliation of all other expenditures. The only documentation provided to support each of the three monthly reconciliations tested were two, fully completed reconciliation certification forms: One current Reconciliation Certification Form (Accounting Technical Bulletin (ATB) 020, Attachment 5) and an antiquated form making reference to Financial Accounting Management Information System (FAMIS) reports reviewed in the reconciliation process. FAMIS was replaced by FOCUS in November 2011.

Procedural Memorandum (PM) 12-02 states that: "Agencies are required to reconcile to FOCUS on a monthly basis." PM 12-16 provides that: "Each month the agency must reconcile transactions posted to FOCUS. Reconciliation paperwork should be signed and dated to provide evidence that the reconciliation was completed and approved, and that proper separation of duties controls are in place." Furthermore, 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."

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: The Sheriff's Office should perform and retain complete documentation of the monthly reconciliation of all transactions posted to FOCUS. The documentation should include a FOCUS report such as the Budget Vs Actual By Commitment Item or Display Balances report that is used to verify the monthly detail transactions with evidence of the review. Additionally, only the current Reconciliation Certification Form (ATB 020, Attachment 5) should be used. No forms referencing FAMIS should be included in the documentation to support monthly reconciliations.

Management Response: The monthly reconciliations will include a printout of the last page of each FOCUS report used to reconcile, and the reconciliation certification form will be signed by the reconciler and reviewer. The Financial Specialist I and Financial Specialist III will be responsible for implementing these actions, which will be completed by March 31, 2017.

B. Separation of Duties

A lack of separation of duties was noted in the reconciliation process for the Sheriff's Office. A staff member who initiated payments was also performing reconciliations of expenditures. Additionally, the reconciler of revenues was

signing off as the reviewer of all reconciliations, including revenue reconciliation, on the Reconciliation Certification Form.

ATB 020 states: “an individual should not have complete control over all aspects of a financial transaction. For example: An employee who is directly responsible for recording receipts or invoices for payment in FOCUS should not also perform the reconciliation of the same financial transaction posted to FOCUS.”

Inadequate separation of duties in the reconciliation process increases the risk of erroneous or fraudulent transactions going undetected.

Recommendation: The Sheriff’s Office should ensure an adequate separation of duties between the staff member who initiates payments in FOCUS and the person preparing reconciliations. Additionally, the reviewer of the reconciliations should not be involved in the completion of any portion of the monthly reconciliation. If an adequate separation of duties cannot be achieved in the completion of the reconciliation process, an independent review of the monthly reconciliation should be performed and documented.

Management Response: The reviewer will not prepare any portion of the monthly reconciliations. Revenue will be reconciled by the Supervisor, Budget Section. The Financial Specialist I will prepare the expenditure reconciliation and the Financial Specialist III will review the monthly reconciliations. Management anticipates completing these actions by March 31, 2017.

C. Departmental Reconciliation Plan

The Sheriff’s Office’s Departmental Reconciliation Plan (DRP) on file was not approved by the Department of Finance (DOF).

ATB 020 requires that agencies: “Develop a reconciliation plan and department desk procedures outlining steps specific to your department’s reconciliation process that are not stated in this ATB and submit them to DOF for approval.”

Failure to obtain approval of reconciliation procedures increases the risk of performing reconciliations inaccurately or incompletely, leading to an increased risk that erroneous or inappropriate charges go undetected. It also increases the risk that reconciliation procedures are not in compliance with county policy.

Recommendation: The Sheriff’s Office should make the appropriate revisions recommended by DOF and resubmit their DRP for approval. The Sheriff’s Office should then follow the guidelines set out in their DRP.

Note: *During the audit, the Sheriff’s Office submitted their DR plan to DOF and received approval. No management response is needed for this item.*

2. Signing Agreement Prior to Creation of Purchase Order

A Sheriff's Office employee signed a maintenance agreement with a vendor prior to the creation and approval of a purchase order in FOCUS. The agreement was signed on August 20, 2015 while a purchase order for this obligation was not created in FOCUS until October 19, 2015.

Signing an agreement prior to the creation of a purchase order in FOCUS circumvents the approval process and prevents an adequate separation of duties.

Recommendation: The Sheriff's Office should ensure a purchase order is created and approved in FOCUS before agreeing to any purchases with vendors.

Management Response: All maintenance agreements, contracts, and service agreements, going forward, are to be signed by the Supervisor, Budget Section, and must include a copy of the purchase order before signing. The Financial Specialist I, Material Requirement Specialist, and Financial Services Branch Chief will be responsible for implementing these actions, which will be completed by July 1, 2017.

3. Solicitation of Quotes

Of the twenty purchase orders tested, ten were not on a contract. Of those ten non-contract purchase orders, two, for \$5600 and \$5400, required the solicitation of quotes prior to placing an order with a vendor. No quotes were solicited for either of these two purchase orders.

PM 12-09 states: "Unless the purchase is determined to be a sole source or is already on contract, departments are required to solicit quotes from at least three sources for purchases from \$5,000 to \$10,000". Failure to solicit quotes increases the risk of an agency not obtaining the best combination of price and quality for goods and services ordered.

Recommendation: The Sheriff's Office should solicit three quotes when purchasing items not on a contract between \$5,000 and \$10,000.

Management Response: Unless sole source documentation is included, three quotes will be attached to all purchase orders processed in FOCUS that are between \$5,000 and \$10,000, and not under contract. The 2nd Lt. Supply Section, Agency Buyer, Financial Specialist I, and Material Requirement Specialist will be responsible for implementing these actions, which will be completed by March 31, 2017.

4. Time Entry & Approval Separation of Duties

Our audit noted control weakness in the Sheriff's Office time entry and approval process. Our audit population included 60,433 time entries from the Sheriff's Office for the months of July 2015, October 2015, January 2016, and April 2016. Of those entries there were 2,833 instances (4.7% of the population) where time entries were

initiated and approved by the same individual.

An adequate separation of duties in time entry and approval is vital in preventing erroneous or fraudulent time reporting.

Recommendation: The Sheriff's Office should implement adequate internal controls to prevent employees from initiating and then approving other Sheriff's Office employee time entries.

Management Response: The agency is revising its standard operating procedures and disseminating a memorandum to supervisory personnel in order to specify prohibited activity related to time entry & approval actions. The Human Resources Branch will perform quarterly time entry & approval audits and notify Command Staff personnel on related control findings. The Human Resources Branch Chief will be responsible for implementing these actions, which will be completed by May 1, 2017.

5. Employee Clearance Record Checklist

Of the ten terminations tested, none of the terminated employees received a copy of their Employee Clearance Record Checklist. PPAPP Memorandum No. 33, provides that employees are to receive a copy of the Employee Clearance Record Checklist and sign verifying the receipt.

Terminated employees not receiving a copy of their Employee Clearance Record Checklist could increase the risk of a dispute between the county and prior employees, should an issue arise at a later date.

Recommendation: The Sheriff's Office should provide all terminated employees with a copy of their signed Employee Clearance Record Checklist.

Management Response: Effective December 22, 2016, all terminated employees of the Fairfax County Sheriff's Office receive a copy of the signed Employee Clearance Record Checklist, pursuant to PPAPP 32.

6. Physical Security of Procurement Cards

Our audit noted weakness in the physical security of three of the Sheriff's Office procurement cards. For these three cards, there was no custodian controlling the physical security of the card and access to the location where the card was stored was not limited to only those individuals who required access to the p-card. Two of the cards were accessible by approximately eight employees without having to request the card from a custodian. The other card was stored in a folder attached to a door where over 100 employees could access the card.

PM 12-02 states that "p-cards should be in a locked location when not in use. Access to the location should be limited to those individuals who require access to the card". When a procurement card is not properly secured, the risk that it could be stolen and

used for unauthorized purchases increases. Additionally, PM 12-02 requires agencies to identify a custodian for each card. Accountability for card use is decreased when a custodian is not responsible for the physical security of the card.

Recommendation: The Sheriff's Office should ensure p-cards are kept in a secure location while not in use. Access to the location should be limited to those individuals who require access to the card. Additionally, the Sheriff's Office should identify a custodian for each card to be responsible for the physical security of the procurement card.

Management Response: Two new procurement cards are being requested for Diversion First transportation needs and will be held by the Captains in Confinement. Procurement cards used for Transportation will be handed out on an as needed basis and kept locked up in the Transportation office. The P-Card Program Manager, Captains in Confinement, and the Transportation Section Supervisor will be responsible for implementing these actions, which will be completed by March 31, 2017.

7. Procurement Card Transaction Logs

From a sample of 65 procurement card transactions, multiple exceptions were noted in the use of transaction logs. Our review indicated that the logs were not properly completed and had design flaws such as the following:

- a) Three transactions had "signed-out" dates that were after the transaction date noted in PaymentNet.
- b) Six did not have a card user name on the log (i.e., either the name was missing or a group name such as "Supply" or "Medical" was recorded on the log as the card user).
- c) 23 logs had a blank "Date in" box, which indicates when the card was returned to the custodian.
- d) Four cards (ASD, ASD Travel, Material Management, and Travel 1) had logs with design flaws such as missing a column for the "Date in" box and missing headings.

PM 12-02 indicates 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. Additionally, accountability is reduced in the event a card is lost or inappropriate charges are placed on the card.

Recommendation: We recommend the Sheriff's Office develop and implement a

standard p-card transaction log template that requires each individual who uses the departmental p-cards to physically sign the log and indicate the date they took possession of the card and when the card was returned. In addition, all logs should have headings describing each column and be maintained to accurately reflect procurement activity.

Note: *This was also a finding in the IT Equipment & Software Acquisitions/Inventory Audit in which no log was maintained.*

Management Response: The p-card transaction log was revised by the P-Card Program Manager, with full compliance expected by March 31, 2017.

8. Employee Acknowledgement Disclosure Form & P-Card Training Certification Test

Of the 34 procurement card users in our sample, 22 were not in compliance with county policy regarding Employee Acknowledgement Disclosure (EAD) forms and/or P-Card Training Certification Tests. Deficiencies consisted of missing EAD forms, missing P-Card Certification Tests or EAD forms that were not filled out completely. As a result, 46 of the 65 procurement card purchases tested were transactions made by someone who did not have an EAD form or training certification test filed, or the EAD form was not completed properly.

PM 12-02 requires that all first-time card users sign and date an Employee Acknowledgement Disclosure Form, and must pass the P-Card Certification test prior to using the p-card for the first time. The form acknowledges the employee's responsibilities regarding card use and sets forth consequences for misuse. The agency program manager is to maintain the signed forms for at least two years following the employee's departure from the agency.

Recommendation: We recommend the Sheriff's Office ensure all current and potential P-Card users have a completed EAD form and P-Card Training Certification Test on file. In addition, the Sheriff's Office should update their policy and procedures to establish an on-boarding control that requires all new hires to complete an EAD form and the P-Card Training Certification Test to prevent non-compliance by new employees.

Note: *During the audit, the Sheriff's Office obtained the required EAD forms and tests for the 22 users noted who did not have the appropriate forms and tests on file. No management response is needed; however, IAO will follow-up on this item.*

9. Technical Review

Seven items were purchased using the Sheriff's Office procurement card without

going through the proper technical review. Four of these items were IT related (i.e., Printers, TVs, TV mounts, and Desktop Monitors), while three of the items were non-IT related (i.e., commercial tables, cabinets, air compressor). Per Sheriff's Office staff, the Department of Information Technology (DIT) exempted the Sheriff's Office from needing technical review by DIT for information technology-related purchases on procurement cards. However, the Sheriff's Office was not able to provide any supporting documentation to evidence the exemption.

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 service requiring technical review may not be purchased using a procurement card."

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, purchasing items that are incompatible with the county's systems or not compliant with the county's standards, and purchasing from a vendor that does not offer technical support.

Recommendation: We recommend the Sheriff's Office create purchase orders in FOCUS to procure equipment requiring technical review in accordance with PM 12-04m, Technical Review Category Matrix, prior to making any purchases of technical equipment. If exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

Management Response: The Sheriff's Office will continue to follow the rules of County PM 12-04. However, when PM 12-04 contradicts itself, we will attempt to follow the parts that are correct per the audit. We will also continue to follow the rules established between the Department Directors concerning the waiver for Apple IT products, but because it was not reduced to writing, we will pursue getting that in written format.

10. Gift Card Controls

Our review of procurement card transactions noted control weaknesses in the tracking of gift cards purchased for events such as "Shop with a Sheriff" and "Shop with the Stars." Additionally, there was no documentation showing who received a gift card, how many of the gift cards were distributed and used/not used, and whether the cards were used appropriately (i.e., itemized receipt showing the items purchased). However, we noted adequate controls to track the availability of sufficient funds in the gift fund to reimburse the general fund for the purchase of the gift cards. Additionally, the unused gift cards were locked in a safe.

Failure to maintain adequate accountability over the issuance and use of gift cards increases the risk of misuse of those cards and potential negative publicity. In addition, failure to maintain such documentation does not provide a sufficient audit trail and weakens internal controls over their use.

Recommendation: The Sheriff's Office should develop and implement formal written procedures that require a log for tracking gift cards and, for certain circumstances, a control for confirming proper use. The logs should include: name of recipient, signature/initial of recipient, date of issuance, vendor name, value of cards issued, and a brief description as to why the card was issued. The gift cards should be stored in a safe location and if the cards are maintained for a long period of time, inventories should be conducted and reconciled to the gift card log. In addition, if applicable (i.e., using gift cards to purchase gifts for children, etc.), an individual other than the gift card recipient should review the itemized receipt to determine if the gift card recipient used the card appropriately. This receipt should be kept on file.

Note: *This was also a finding in the IT Equipment & Software Acquisitions/Inventory Audit in which control weaknesses were noted. However; during the audit, the Sheriff's Office developed a gift card log and written procedures for tracking and securing the cards. IAO will follow-up on this item.*

Management Response: The new gift card procedures and log mentioned above will be implemented by the P-Card Program Manager, Shop With the Sheriff Coordinator, and Programs Supervisor by March 31, 2017.

11. Split Purchases

There were three instances noted where split purchases were made. Split purchases occur when the original purchase requirement for the same or related goods or services is broken into multiple smaller purchases which are made over a short period of time. The three instances noted were as follows:

- Purchasing Target Gift cards for "Shop with the Sheriff."
- Purchasing inmate inventory due to a new staff member not being aware of the split requirement.
- A vendor charging the P-Card on file without the Sheriff's Office approval.

PM 12-02 prohibits split purchases and notes that these types of transactions are usually done to circumvent a card's single purchase or cycle spending limit. Requirements which are divided for other purposes, such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases.

Recommendation: The Sheriff's Office should utilize proper purchasing methods in accordance with county policy. The Sheriff's Office should communicate with DPMM to determine a formal process for exceeding the single purchase limit for these type of purchases such as increasing the credit limit of card.

Management Response: Split purchases will be eliminated by requesting a temporary increase in purchase limit for larger purchases, or a purchase order will be created. All agency personnel and the P-Card Program Manager are responsible for implementing these actions, which will be completed by March 31, 2017.

12. Receipt of Ordered Goods

In our review of procurement card and FOCUS marketplace transactions we noted six transactions where the Sheriff's Office's purchases were not supported by a signed and dated packing slip or other evidence indicating who confirmed the receipt of ordered goods and when it was confirmed.

PM 12-16 states: "...proper receiving procedures should be developed and followed by all agency staff. Receipt of goods, by individual line item, should be verified against the packing list and the original order. Packing lists should be signed and dated, acknowledging accurate receipt. Packing lists should be retained with the order documentation".

Failure to properly document receipt of ordered goods prevents the assurance of an adequate separation of duties and increases the risk of paying for items that were not received.

Recommendation: The Sheriff's Office should ensure that the receipt of all ordered goods and services is adequately documented. If a packing slip is not included with the shipment, receipt of the ordered goods should be documented on the invoice. All receiving documentation should be maintained on file with the supporting documentation for the transaction, and received by an individual other than the purchaser/approver.

Note: *This was also a finding in the IT Equipment & Software Acquisitions/Inventory.*

Management Response: Either a packing slip, receiving report, or an email confirming delivery by the person receiving the item(s) will be attached to the supporting documentation for each purchase (not to include service or maintenance agreements). The Buyer, Financial Specialist I, and Material Requirement Specialist are responsible for implementing these actions, which will be completed by March 31, 2017.

13. Using Agency Director's Statement of Responsibility

The Sheriff's Office did not have a signed copy of the Using Agency Director's Statement of Responsibility that was dated prior to the audit period. 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 DPMM."

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: The Sheriff's Office should ensure the Sheriff sign the Using Agency Director's Statement of Responsibility and forward a copy to the Department of Procurement and Material Management (DPMM).

Note: *During the audit, the Sheriff's Office provided a signed copy of the Director's Statement of Responsibility to IAO, and also forwarded a copy to DPMM. No management response is needed for this item.*