



Fairfax County

Internal Audit Office

**Department of Cable and Consumer Services
Business Process Audit
Final Report**

April 2017

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Cable and Consumer Services (DCCS). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, 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 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:

- An eVA card was still active under a former employee's name.
- Monthly FOCUS reconciliation was not completed timely.
- Weekly review of the procurement and marketplace card transaction report was not performed in a timely manner.
- The Department of Cable and Consumer Services did not have a list of Positions of Trust to designate staff who required credit checks.
- The Consumer Protection Division's duration of its memo preauthorizing overtime was indefinite and not being reviewed periodically for appropriateness.
- The p-card monthly spending limits were set higher than the actual usage.

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 Department of Cable and Consumer Services' 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 procurement card, FOCUS marketplace, purchase order, open-ended purchase order, and non-purchase order transactions that occurred during the period of November 2015, through October 2016. For that period, the department's purchases were \$134,663 for procurement cards, \$29,491 for FOCUS marketplace, \$594,398 for purchase orders, \$65,369 for open-ended purchase orders, and \$1,693,651 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. Active eVa card

Our review noted that the agency's e-VA card was still under an employee's name who had been retired since January 1, 2014. Protection of the card account number and the card itself is paramount since the eVA card is a special use p-card with a higher single transaction limit.

According to the Procurement Technical Bulletin 12-1001, *On-line Procurement using e-VA*, the eVA Program Manager will send an email to the Department of Procurement and Materials Management (DPMM) Administrator, detailing the user change (i.e. remove user, change user role, change user shopping dollar shopping authority). If an employee is leaving the department or county employment, the DPMM Administrator must be notified within one business day of the employee's departure.

Recommendation: We recommend the Department of Cable and Consumer Services notify the DPMM Administrator of the employee's departure and cancel the card immediately. If necessary, a new card in another staff member's name should be issued.

Management Response: DCCS notified the Department of Procurement and Material Management (DPMM) to cancel the eVA Card (6729).

Note: Management states that this recommendation is anticipated to be completed on March 29, 2017. IAO will follow up on the recommendation after March 31, 2017.

2. Monthly FOCUS Reconciliation

The monthly FOCUS reconciliations for the selected period reviewed were not completed in a timely manner. For instance, September and October Reconciliation Certification Forms were completed on December 16, 2016.

Furthermore, Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, requires all departments and agencies to perform monthly reconciliations on a timely basis (no later than the last day of the following month) at the transaction level. These reconciliations are to be carried out in accordance with the department's reconciliation plan that has been approved by the Department of Finance (DOF).

Procedural Memorandum (PM) 12-1009 states that: "Agencies are required to reconcile to FOCUS on a monthly basis." Additionally, 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."

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges going undetected. Additionally, the reconciliation provides a means of ensuring that all charges and credits are cleared to the proper expenditure account at least monthly.

Recommendation: We recommend the department complete the FOCUS monthly reconciliations no later than the last day of the following month.

Management Response: DCCS had reminded the reconciler that reconciliations should be completed no later than the last day of the following month. Both the January 2017 and February 2017 reconciliations were completed on time.

Note: *Management states that this recommendation has been implemented, however, IAO will follow up on the recommendation after March 31, 2017.*

3. Weekly Procurement and Marketplace Card Transaction Report Review

We noted that the PaymentNet weekly procurement card transaction report was reviewed late for six of the 30 transactions tested. Additionally, the weekly marketplace transaction report was reviewed late for five out of 15 transactions reviewed. Finally, the reviewer did not sign and date the weekly marketplace transaction report to document the review.

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

Recommendation: We recommend that the Department of Cable and Consumer Services perform the weekly reviews of procurement and marketplace card transaction reports which contain all items posted to the bank for the prior week in a timely manner. Once completed, the reviewer should sign and date the report to document the completion of the review.

Management Response: DCCS performs weekly reconciliations of the PaymentNet report every Monday morning. The reconciler has been reminded to sign/date the report at the time the reconciliation takes place. DCCS performs weekly reconciliations of the PaymentNet report. The reconciler has been instructed to sign/date the report at the time the reconciliation takes place.

Note: *Management states that this recommendation has been implemented, however, IAO will follow up on the recommendation after March 31, 2017.*

4. List of Positions of Trust

The Department of Cable and Consumer Services did not have a list of Positions of Trust on file. According to *Personnel/Payroll Administration Policies and Procedures* (PPAPP) memorandum No. 56, "Employees who occupy positions of trust are subject to a credit check. Credit checks will be completed upon initial hire and for promotions, transfers, or demotions to a position of trust and every four years thereafter. Positions of trust include all Director, Deputy/Assistant Director and Division Director Positions as well as positions identified by the department director as having significant fiscal or information security responsibility."

Additionally, PPAPP requires that the department director or designee complete the Positions of Trust Delineation Form (Attachment A) to delineate the positions in the department designated as positions of trust subject to the credit check requirement and retain in the department files.

Lack of a list of Positions of Trust prevents the department from performing required credit check on employees who occupy positions of trust. It also increases the potential for abuse or fraud by staff who have access to sensitive/confidential financial information.

Recommendation: The department should complete the Position of Trust Delineation Form and perform credit checks on employees who occupy positions of trust.

Management Response: DCCS is in the process of reviewing PPAPP Memorandum No. 56 and will complete the Position of Trust Delineation Form, as necessary. Management anticipates to complete this item by July 1, 2017.

5. Preauthorized Overtime

The Consumer Protection Division's duration of the memo documenting preauthorized overtime was indefinite and not in line with the County policy. The preauthorization memo was dated April 2004.

According to PPAPP Memorandum No. 8, *Time and Attendance System and Controls*, "supervisors of employees who work overtime on a regular, recurring basis may provide written authorization that an employee is allowed to work up to a specified number of overtime hours in a given period. The duration of the preauthorized overtime may not exceed three months."

Failure of periodically review preauthorized overtime memo to determine if they are still relevant could result in the county paying for unrequested/unrequired overtime work.

Recommendation: We recommend the Department of Cable and Consumer Services reassess overtime requirements and ensure the duration of its written overtime authorization does not exceed three months.

Management Response: DCCS concurs with the recommendation and will review overtime practices in the agency as they relate to Procedural Memorandum No. 8. Management anticipates to complete this item by July 1, 2017.

6. Procurement Card Limit

An analysis performed on card limitation controls for the Department of Cable and Consumer Services for the period November 1, 2015 through October 31, 2016, revealed that the monthly spending limits were set higher than the actual usage for the Print Mail and Administration and Utilities Branch p-cards. The Print Mail and Administration p-card had zero transactions during the scope of the audit. Additionally, the highest total monthly spending for the Utilities Branch card was \$1,025 (25% of the card credit limit).

The County has limited dispute rights for fraudulent charges on departmental cards. 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 the Department of Cable and Consumer Services close the Print Mail and Administration card and reduce the card limit for Utilities Branch card.

Management Response: DCCS notified DPMM to cancel the Print Mail and Administration p-card and to decrease the credit limit to \$2,500 on the Utilities Branch p-card.

Note: Management states that this recommendation has been implemented on March 29, 2017, however, IAO will follow up on the recommendation after March 31, 2017.