



Fairfax County Internal Audit Office

**Department of Administration for Human Services
Business Process Audit
Final Report**

May 2017

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Administration for Human Services (DAHS). 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 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:

- Deficiencies were noted in the reconciliation process regarding the adequacy of supporting documentation, separation of duties, and departmental procedures.
- Three people on the department's Positions of Trust list did not have a credit check performed in a timely fashion.
- Proper controls were not executed for managing the risk related to a disputed p-card transaction.
- Alcohol Safety Action Program (ASAP) made two non-purchase order (PO) payments that were not in compliance with the Non-PO Payments Financial Policy Statement (FPS) 630.

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 DAHS's 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 November 1, 2015, through October 31, 2016. For that period, the department's

purchases were \$20,621 for procurement cards, \$26,530 for FOCUS marketplace, \$456,644 for purchase orders, and \$83,948 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 Reconciliations

Although we obtained evidence that many monthly PO and non-Non-PO transactions were being reconciled from FOCUS to the source documents (i.e., invoice, receipts, etc.), DAHS did not have documented evidence that the complete population of transactions were reconciled. In addition, the Reconciliation Certification Form was not used to document who prepared and reviewed the reconciliation, and when it was prepared and reviewed.

Per Reconciliation of Financial Transactions Accounting Technical Bulletin (ATB) 020, "The reconciliation process entails comparing financial records (e.g., receipts, invoices, purchase orders, goods receipts)...to FOCUS." By not reconciling all the transactions, the risk of reporting inaccurate purchases increases.

Additionally, ATB 020 requires departments to complete a Reconciliation Certification Form. The form should be signed and dated by the director or designee indicating the reconciliation that was completed for a specific period. This is to verify that the department's transactions have been reconciled timely and authorizer/approver verified.

Recommendation: On a monthly basis, DAHS should develop documentation to substantiate that the complete population of PO and Non-PO transactions has been reconciled from FOCUS records to the source documents. Additionally, the preparer and reviewer of the reconciliation should sign and date the reconciliation certification form to evidence a timely preparation and review process. The form should be maintained on file by the agency.

Note: These issues were raised in two other business process audits for departments that DAHS supports - Department of Family Services and Office to Prevent and End Homelessness. DAHS is in the process of working with the Internal Audit Office (IAO) to create a standard methodology to document the reconciliation for the total monthly

population of PO & Non-PO transactions for all the Human Services agencies/departments that they support.

Management Response: DAHS staff will continue to further develop the reconciliation process such that it is in full compliance with ATB 020. As noted by Internal Audit, reconciliation to FOCUS is currently being conducted by individuals performing the work. DAHS will continue working with Internal Audit to develop a process that will identify transactions that DAHS staff have not initiated so that the complete population of transactions are reconciled. Additionally, DAHS will complete the Reconciliation Certification Form as required by the ATB. Management anticipates completing these actions by August 31, 2017.

2. Credit Checks

Three people on the department's Positions of Trust list did not have a credit check performed in a timely manner. For one individual, we obtained evidence that a credit check was completed on 2/27/17; however, this check was completed approximately 1.5 years after the individual's promotion on 8/8/15. For two other individuals, DAHS submitted a credit check request on 2/27/17. However, these requests were not made until at least 1.5 years after the individuals start date (i.e., start dates were 2/21/15 and 7/13/15). Per DAHS, they were cleared on 3/21/17.

PPAPP Memorandum No. 56, states "Employees who occupy positions of trust are subject to a credit check." Moreover, "The department director or designee will ensure that new hires, as well as employees promoted, demoted or transferred to a position of trust, are processed for a credit check in a timely manner."

Obtaining credit checks for those in a positions of trust (i.e., those with fiduciary responsibility) decreases the risk of potential for abuse or fraud.

Recommendation: DAHS should obtain credit checks in a timely manner for all individuals on the Positions of Trust list. The credit checks should be completed upon initial hire, promotion, transfer, or demotion to a position of trust.

Management Response: DAHS HR will ensure that all candidates for positions of trust within the organization complete a Credit Check Authorization Form, and return it to DAHS Human Resources (HR). DAHS HR will then send the form to the Department of Human Resources (DHR) for processing and DAHS HR will also follow up to ensure that results are received from DHR in a timely manner. As a point of clarification, the Credit Check Authorization form for the employee who had been promoted on 8/8/2015 had been sent to DHR upon signature, but the results had not been received, necessitating that a second signed form be sent to DHR.

Note: *Per management, this has been made effective immediately; however, IAO will perform a follow-up audit on this item after 05/12/17.*

3. Disputed Transactions

Proper controls were not executed for managing the risk related to a disputed transaction. There was a disputed charge of \$585 related to catering at the Fairfax ASAP Annual Awards ceremony, which DAHS resolved 6-months after the post-date and received a \$67 refund. Two exceptions were noted:

- a. We noted ASAP identified the questionable charge immediately in email; however, the follow-up was not completed until six months after the post-date, and the dispute was not communicated to the bank within 60 days of the posting date.
- b. ASAP did not execute proper controls to document the number of individuals that attended the event. As a result, there was a dispute between ASAP and the vendor as to how many individuals attended the event. ASAP asserted that the minimum contract amount attended was 140 while the vendor had charged for 160.

Per Use of the County Procurement Card Procurement Technical Bulletin (PTB) 12-1009, "The department should first request an adjustment from the vendor, documenting all oral and written correspondence. If that is unsuccessful, the p-card Program Manager or designee should file a dispute with the bank." Moreover, per PTB 12-1009, "Disputed charges must be reported to the bank within 60 days of the p-card posting date, using the bank's online reporting tool."

Not reporting a dispute to the bank timely increases the risk of financial loss, especially with departmental cards since the bank does not offer the same level of dispute or fraud protection as it does for named p-cards. In addition, not documenting the number of individuals attending paid catering events increases the risk of overpayment.

Recommendation: DAHS should report p-card transaction disputes to the bank within 60 days of the posting date if unable to resolve a disputed transaction with a vendor timely. In addition, to prevent disputes related to paid-catering events, DAHS should implement proper controls to confirm an accurate head count.

Management Response: DAHS will follow strict adherence to (PTB) 12-1009. Unresolved disputed transactions or unauthorized charges will be reported to the P-card Program Manager, who will report disputes to the bank within 60 days. DAHS and ASAP will also implement controls to keep an accurate head count at future events to avoid future discrepancies about attendance, food consumption, etc. In addition, DAHS will review its currently issued p-cards to identify whether departmental p-cards can be converted to named p-cards for additional bank protection.

Note: *Per management, this has been made effective immediately; however, IAO will perform a follow-up audit on this item after 05/12/17.*

4. Non-Purchase Order Payments

There were two Non-PO payments that were not listed as an allowable Non-PO payment per Non PO Payments Financial Policy Statement (FPS) 630. Additionally, DAHS did not obtain written approval from DPMM for the exceptions. Each of the payments were to the Alexandria Hospital for drug screening services.

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: We recommend DAHS only use the Non-PO payment method for purchases that are listed as approved categories for Non-PO payment vouchers in FPS 630. A purchase order or p-card 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.

Management Response: Corrective action has been taken and payments made to the vendor have already been completed via the p-card. In the future, DAHS and ASAP will ensure that Non-PO payment methods are used for purchases listed as approved categories in FPS 630.

Note: *Per management, this has been made effective immediately; however, IAO will perform a follow-up audit on this item after 05/12/17.*