



Fairfax County Internal Audit Office

Office of the County Executive
Business Process Audit
Final Report

May 2017

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Office of the County Executive. The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-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 generally had strong internal controls and adhered to county guidelines. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Travel authorization forms were not completed before the travel took place for two of the eight travel reimbursements tested.
- Two of the five purchase orders tested were not created and approved before services were rendered and an invoice received. This vendor was on a contract and provided services on an irregular and unpredictable basis.
- A list of the positions of trust within the department was not on file.
- The Employee Clearance Record Checklist for each of the two terminations tested were missing either the signature of the interviewer or the terminated employee.

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 Office of the County Executive'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 December, 2015, through November, 2016. For that period, the department's

purchases were \$120,281 for procurement cards, \$7,749 for FOCUS marketplace, \$376,589 for purchase orders, and \$30,621 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. Travel Authorization Forms

Our audit tested eight non-purchase order payments for travel reimbursement. Deficiencies were noted in the timing of completion of Travel Authorization Forms for two of the sample transactions. While there was evidence that the trip was pre-approved and supervisors were aware of the travel, the Travel Authorization Forms were completed and approved after the travel return date.

Procedural Memorandum (PM) 06-03 states: "A completed Travel Authorization Form is required for all non-local and overnight travel including trips where the procurement card is used for any or all expenses." Additional guidance provided in the Travel Tips and Reminders document on the Department of Finance website states: "Before you purchase any tickets or pay for registration you **MUST** complete a Travel Authorization Form and have department approval. Items purchased without prior approval may not be reimbursed."

Failure to complete a travel authorization form prior to incurring expenses for non-local or overnight travel increases the risk of inappropriate or unauthorized travel expenses and incurring expenses that may not be reimbursed.

Recommendation: The Office of the County Executive should adhere to the requirements of PM 06-03 and ensure a Travel Authorization Form is completed and approved before any non-local or overnight travel arrangements are made.

Management Response: In the instances referred to, travel was pre-authorized by the County Executive, by memorandum, and travel reservations were immediately booked in order to secure registration, lodging and travel. A memo to staff will be sent reminding staff of the requirements.

Note: IAO verified that an email was sent to the staff to remind them of the requirements. However, IAO will perform a follow-up audit after May 26, 2017.

2. Purchase Order Created After Receipt of Invoice

Of the five purchase orders tested, we noted that two were created after receiving an invoice from the vendor. One of the purchase orders was created on May 3, 2016 for an invoice dated April 11, 2016. The other was created on June 7, 2016 for an invoice dated May 22, 2016. According to Office of the County Executive staff, this particular vendor was on contract and the unpredictable nature of this vendor's services and billing made it more challenging to set up a purchase order before receiving an invoice.

However, agencies are required to create a purchase order in FOCUS prior to agreeing to pay a vendor for goods or services. Failure to do so circumvents the approval process, promises payment to a vendor for funds that have not yet been encumbered for that purpose and prevents an adequate separation of duties.

Recommendation: The Office of the County Executive should create a purchase order prior to ordering goods/services. If the exact cost of services cannot be determined before the services are rendered, an open ended purchase order may be created with an estimated value so that funds can be encumbered and the purchase order can be approved prior to a vendor performing services for the county. The Office of the County Executive may also wish to consult the Department of Procurement and Material Management to determine the feasibility of paying certain vendors using a non-purchase order payment.

Management Response: The new open-ended PO process is now being used and one has been created. Management states this action has already been completed.

Note: IAO verified that an open-ended PO was created and being used by the department for this particular vendor. No follow-up is needed for this item.

3. Positions of Trust

The Office of the County Executive did not have a list of Positions of Trust on file. According to 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.

Failure to maintain a list of Positions of Trust could hinder the performance of credit checks 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 Office of the County Executive should complete the Positions of Trust form included in PPAPP Memorandum No. 56 as Attachment A and retain it on file.

Management Response: Attachment A is completed and on file.

Note: IAO verified that the Positions of Trust Form, PPAPP Memorandum No. 56 Attachment A, was completed by the Office of the County Executive and is now on file. No follow-up is needed for this item.

4. Employee Clearance Record Checklist

Our audit reviewed the supporting documentation for two terminations. The Employee Clearance Record Checklists for each of the two terminations tested were missing a signature: one was missing the interviewer signature and the other was missing the signature of the terminated employee. These forms are to be completed, signed, and maintained on file by the agency. Failure to adequately complete the Employee Clearance Record Checklist increases the risk of a dispute between the county and prior employees, should an issue arise at a later date.

Recommendation: The Office of the County Executive should ensure all Employee Clearance Record Checklists are completed and signed by the interviewer and terminated employee.

Management Response: Forms will be signed by both parties in the future.

Note: Management states this action has already been completed; however, IAO will perform a follow-up audit on this recommendation after May 26, 2017.