



Fairfax County Internal Audit Office

**Fairfax County Public Library
Business Process Audit
Final Report**

July 2017

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Fairfax County Public Library (FCPL). 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.

In general, 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:

- We noted control weaknesses in time entry and approval where the preparer was also the approver. Over a three-month period, we noted 1,988 time entries in which the preparer was also the approver. These entries included 101 different approvers.
- Employee Clearance Record Checklists were either not completed or partially completed. In addition, a copy of the signed checklist was not provided to employees upon their departure from the County.
- Proper controls were not executed for managing the access to 14 procurement cards.
- Two named cards were still active under a former employee's name.
- The p-card monthly spending limits were set higher than the actual usage for 12 procurement cards.
- Office supplies were purchased through a channel other than Marketplace without obtaining the Department of Purchasing and Materials Management's (DPMM) approval.

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 FCPL'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 March 1, 2016, through February 28, 2017. For that period, the department's purchases were \$2,963,107 for procurement cards, \$163,185 for FOCUS marketplace, \$2,725,115 for purchase orders, and \$60,651 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. Time Entry & Approval Separation of Duties

Our audit noted a control weakness in the FCPL time entry and approval process. The audit population included 38,818 time entries from FCPL for the period September 2016 through November 2016. Of those entries, there were 1,988 instances where time entries were initiated and approved by the same individual. These instances involved 101 different approvers.

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

Recommendation: FCPL should implement adequate internal controls to prevent employees from initiating and then approving other FCPL employee time entries.

Management Response: FCPL will ensure that there is an adequate separation of duties between time entry and approval via multiple reminder emails to all Library managers, and a virtual training. In addition, FCPL will conduct a payroll webinar to include information regarding separation of duties and the Employee Clearance Record Checklist. Management anticipates completing these actions by August 24, 2017.

2. Employee Clearance Record Checklist

Of the 15 employees tested, five checklists were not completed, one checklist was not retained, and three checklists were only partially completed - the checklists were

either missing the Library staff's signature or the appropriate boxes were not checked. As such, a signed copy of the checklist was not provided to the employee upon departure from the County.

Per PPAPP Memorandum No. 33, *Employee Clearance Record*, "Departments are required to complete an Employee Clearance Record Checklist with each employee leaving County service for any reason."

Not providing employees a copy of their checklist increases the risk of a dispute between the county and prior employees should an issue arise at a later date. In addition, not completing the checklist increases the risk of County equipment not being returned or that significant steps are not taken such as removing system access, and obtaining security passes.

Recommendation: FCPL should fully complete and retain a checklist for employees leaving the County service for any reason. Additionally, a copy of the signed checklist should be provided to the employee upon departure from the County.

Management Response: FCPL will ensure that managers complete and retain checklists for employees leaving the County and provide a copy to employees. Library HR emailed all Library managers on July 17, 2017 to remind them of this process and that it is mandatory, including immediately forwarding the completed document to Library HR. In addition, FCPL will conduct a payroll webinar to include information regarding separation of duties and the Employee Clearance Record Checklist. Management anticipates completing these actions by August 24, 2017.

3. Access to Procurement Cards

Our audit noted a weakness in the access to FCPL procurement cards. There were 14 procurement cards that were accessible by approximately nine employees without having to request the card from a custodian. In addition, one of the departmental cards was managed by nine different Financial Services Division (FSD) staff rather than the assigned custodian. For instance, an employee would obtain the card by requesting it from one of the nine FSD staff who had access.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, states that "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, PTB 12-1009 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: FCPL should ensure access to the location where p-cards are located is minimized and limited to those individuals who need access to the card(s) such as the assigned custodian.

Management Response: FCPL will purchase small key lock boxes for each custodian to secure and safeguard the agency's p-cards. The location of the boxes and keys will only be shared with the custodian's direct supervisors and the Financial Service Director. Management anticipates completing these actions by August 30, 2017.

4. Active Procurement Cards

Our review noted that two named cards assigned to an employee who had transferred to another agency were still active as of the time of the audit. The named cards (with limits of \$50K and \$300K) were still active as of 5/24/17 even though the replacement cards were obtained on 5/3/17.

Not cancelling named cards related to employees who transferred or terminated increases the county's exposure in the event the card is lost, stolen or improperly used by the employee.

Recommendation: We recommend FCPL notify DPMM of the employee's departure and cancel the cards immediately.

Note: *IAO verified that the two cards were cancelled. No management response is needed for this item.*

5. Procurement Card Limits

An analysis performed on card limitation controls for FCPL for the period March 1, 2016, through February 28, 2017, revealed that the monthly spending limits were set higher than the actual usage for 12 p-cards. Of the 12 procurement cards that had high credit limits, the maximum percentage of the monthly limit used was 47%, the minimum was approximately 15%, and the average was approximately 29%.

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 FCPL reduce the card limits for these p-cards.

Note: *During the audit, IAO reviewed the PaymentNet report and verified that the limits were reduced. No management response is needed for this item.*

6. Procurement of Office Supplies

During the period of March 1, 2016, through February 28, 2017, FCPL placed an office supply purchase order of \$916.01 from Amazon who did not have a contract with the county. Per FCPL staff, in the past the department had made few purchases with procurement cards outside of the Marketplace based on achieving a lower price.

According to Procurement Technical Bulletin 12-1008, *Online Procurement Using the*

FOCUS Marketplace, to ensure that the County takes advantage of the best combination of low product prices and high contract rebates, use of the office supply contract is mandatory.

Failure to purchase from county vendors can lead to an overall loss of county funds through reduced rebates and volume discounts. In addition, the agency might not obtain the best price and quality by purchasing from a non-contract supplier.

Recommendation: FCPL should request an exception from the mandatory use policy when a business case can be made for procuring items off-contract. When an exception is granted by the County program administrator, the written approval must be retained for audit purposes.

Management Response: FCPL will ensure that it requests an exception from the mandatory use policy when a business case can be made for procuring items off-contract. The Library's Finance Manager will discuss with staff at their next staff meeting. Management anticipates completing these actions by August 4, 2017.