



# **Fairfax County**

## **Internal Audit Office**

**Facilities Management Department  
Business Process Audit  
Final Report**

**December 2017**

***"promoting efficient & effective local government"***

# Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Facilities Management Department (FMD). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, monthly reconciliations, limited review of revenue collection and accounts receivables, 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.

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

- The departmental internal control procedures for procurement cards and the reconciliation plan were not approved by the Department of Procurement and Material Management (DPMM) and the Department of Finance (DOF) respectively.  
*This is a repeat finding from our 2009 Procurement Card Audit.*
- FOCUS monthly reconciliations were not completed by the last day of the following month for the three months reviewed.
- Of the 21 departmental p-card transactions tested, 15 instances were noted where the procurement card custodians used the cards and did not fill out the procurement card transaction logs. In one additional instance, the p-card user did not fill out the log.  
*This is a repeated finding from our 2009 Procurement Card Audit.*
- An Employee Acknowledgement Disclosure Form (EAD) was not signed by the employee prior to the p-card usage. Also, another EAD form was not signed by the p-card program manager timely.  
*This is a repeat finding from our 2009 Procurement Card Audit.*
- Our audit noted five instances where items requiring technical review were purchased on a county procurement card without going through the proper technical review. Additionally, in one of the instances, the item was sent to the employee's home address.
- The p-card monthly spending limits were set higher than the actual usage for 50 procurement cards.  
*This is a repeat finding from our 2009 Procurement Card Audit.*
- Thirteen p-card and six marketplace PaymentNet weekly reports were not reviewed timely. Additionally, five p-card and three marketplace PaymentNet

weekly reports were not on file; therefore, the timeliness of the review could not be determined.

- Of the 15 marketplace transactions tested, seven transactions did not have either packing slips or invoices. Also, receiver(s) did not sign and date the packing slips.
- Five Employee Clearance Record checklists were not completed.

## Scope and Objectives

This audit was performed as part of our fiscal year 2018 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 Facilities Management Department'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 procurement card, FOCUS marketplace, purchase order, open-ended purchase order, and non-purchase order transactions that occurred during the period of May 2016 through April 2017. For that period, the department's purchases were \$1,622,071 for procurement cards, \$26,235 for FOCUS marketplace, \$35,823,273 for purchase orders, and \$17,174,622 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. Internal Control Procedures

While FMD had developed written internal control procedures for procurement cards and reconciliation, the procedures were not approved by DPMM and DOF respectively. Per staff, FMD had sent the procedures to these respective agencies for approval; however, the department had not received responses from them.

The Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, requires that all using agencies establish procurement card internal control procedures that govern card security, use, and accounting specific to their operations. These procedures are to be submitted to the DPMM program administrator for approval.

Also, Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, states that each agency must develop a written reconciliation plan, approved by DOF, and adhere to internal control procedures, which govern financial transaction reconciliations.

Failure to obtain approval for updated departmental internal control procedures increases the risk that operating procedures might not be in compliance with county policy and procedures.

**Recommendation:** We recommend FMD follow-up with DPMM, DOF, and DTA to obtain the approvals for their procurement cards internal control procedures; reconciliation; and billing and collection plans.

**Management Response:** FMD had submitted internal control procedures for procurement cards and reconciliation to DPMM and DOF on November 3, 2017 and November 17, 2017 respectively. Individual ICPs will be modified as requested based upon critiques by authoritative agency.

**Note:** Management states that this recommendation has been completed on November 17, 2017. IAO will follow up on the recommendation after December 18, 2017.

## 2. Focus Reconciliation

The monthly FOCUS reconciliations for the selected period reviewed were not completed in a timely manner. For instance, the February 2017 p-card reconciliation was completed on May 22, 2017, and the February 2017 PO and Non-PO reconciliations were completed on July 3, 2017.

ATB 020 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 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 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 FMD complete the FOCUS monthly reconciliations no later than the last day of the following month.

**Management Response:** In effort to comply with the established timeframe, a minimum of one day a week has been dedicated to administrative duties a second day may be dedicated if necessary.

**Note:** *Management states that this recommendation has been completed. IAO will follow up on the recommendation after December 18, 2017.*

### 3. Procurement Card Transaction Logs

Sixteen of the twenty one departmental p-card transactions tested were not posted to a p-card transaction log. A log was not kept for the cards tested. Fifteen of these transactions were made by the p-card custodians.

According to the PTB 12-1009, "...the department shall maintain a log that records purchases as they occur and tracks who is in possession of p-cards. Departments may use a manual or electronic log to record both debit and credit transactions. Entries must be contemporaneous so that they provide up-to-date information on funds expended and should identify the p-card user."

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. Since the bank does not offer as much fraud protection for departmental cards as named cards it is imperative to maintain adequate accountability of the possession and usage of the p-cards.

In addition, PTB 12-1009 states that "the card custodian function and the reconciliation function may not be performed by the same position. Further, it requires that if the department cannot reasonably separate these two duties, there must be a compensating control consisting of a "substantive supervisory review" of transaction activities. This verification should be evidenced by the reviewer signing and dating documents reviewed."

**Recommendation:** We recommend FMD maintain a log that records purchases as they occur and track who is in possession of the p-cards. The department may use the example in PTB 12-1009, Attachment D, as a guide when developing a p-card transaction log. Also, it should ensure that the log contains all of the elements as shown in Attachment D. Additionally, we recommend the duties of card custodian,

user, and the reconciler be separated. If the department cannot separate the card custodian and user functions, then it should establish sufficient compensating controls whereby substantive independent supervisory reviews are performed and documented.

**Management Response:** Card custodians are to be instructed to utilize the p-card transaction log for all transactions (to include custodian use). Separation of duties will be maintained and supervisory review conducted.

**Note:** Management states that this recommendation is anticipated to complete on December 1, 2017. IAO will follow up on the recommendation after December 18, 2017.

#### 4. Employee Acknowledgement Disclosure (EAD) Form

Purchases were made by an employee who did not complete an EAD form or the online P-card Training Certification test prior to the usage of the p-card. In addition, the EAD form for another employee was not signed by the program manager in a timely manner.

PTB 12-009 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 FMD ensure all current and potential p-card users have a completed EAD form and P-Card Training Certification Test on file.

**Management Response:** P-card manager will ensure all EAD forms and training certificates are on file for all users. Issuance of any p-card will not take place prior to receipt of both documents.

**Note:** Management states that this recommendation has been implemented. IAO will follow up on the recommendation after December 18, 2017.

#### 5. Technical Review

Five items were purchased using the procurement cards without going through the proper technical review. Four of these items were IT related including a portable radio, Netgear router, LED monitor, and a monitoring system. The fifth item was a cyberpower battery.

Procedural Memorandum (PM) 12-04, *Technical Review of Purchase Requisitions*, 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 FMD create purchase orders in FOCUS to procure equipment requiring technical review in accordance with PM 12-04 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:** FMD will distribute a copy of PM 12-04 to all p-card users to reinforce knowledge of procedures. Creation of POs in FOCUS to procure Tech Review items will be adhered to. If exemption is granted appropriate documentation will be maintained on file.

**Note:** Management states that this recommendation is anticipated to complete on January 5, 2018. IAO will follow up on the recommendation after January 6, 2018.

## 6. Procurement Card Limits

An analysis performed on card limitation controls for the period May 1, 2016, through April 30, 2017, revealed that the monthly spending limits were set higher than the actual usage for 50 p-cards. For these procurement cards, the maximum percentage of the monthly limit used was 19%, the minimum was 1%, and the average was approximately 10%.

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 FMD reduce the card limits for these p-cards.

**Management Response:** A review of all p-card limits will be conducted and limits adjusted to more appropriate levels as deemed necessary.

**Note:** Management states that this recommendation is anticipated to complete on January 5, 2018. IAO will follow up on the recommendation after January 6, 2018.

## 7. Weekly Procurement and Marketplace Card Transaction Report Review

In our review of procurement card and FOCUS marketplace transactions, we noted that thirteen p-card and six marketplace PaymentNet weekly reports were not reviewed timely. Additionally, five p-card and three marketplace PaymentNet weekly

reports were not on file; therefore, the timeliness of the review could not be determined.

PTB 12-1009 requires that all agencies review weekly transaction reports for unusual or unauthorized transactions.

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

**Recommendation:** We recommend FMD 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:** Weekly review of the PaymentNet report for p-card and marketplace transactions will be conducted. Upon completion the reviewer will initial and date the report signifying review was conducted and completed.

**Note:** *Management states that this recommendation has been implemented. IAO will follow up on the recommendation after December 18, 2017.*

## **8. Receipt Documentation**

In our review of FOCUS marketplace transactions, we noted in seven of the 15 transactions tested, the purchases were not supported by either an invoice and/or a signed and dated packing slip or other evidence indicating who confirmed the receipt of ordered goods and when it was confirmed. In addition, there was no evidence of sufficient alternate receipt documentation as required by PTB 12-1009.

PTB 12-1009 states: "Department staff shall retain an ORIGINAL, ITEMIZED vendor receipt, invoice, or credit slip for each transaction. Receipts should show all details pertinent to the transaction, including date of purchase, vendor name and location, item(s) purchased with corresponding description(s) and price(s), and total amount paid. The business purpose of the goods or services should be clearly documented if it is not readily apparent (i.e., refreshments for annual vendor forum). All receipt documentation should be filed with the appropriate bank record (monthly statement or weekly transaction detail report) and retained by the department."

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. In addition, without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

**Recommendation:** We recommend FMD 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.

**Management Response:** Appropriate staff receiving materials will be instructed to initial and date packing slips verifying items received. Original slips are to be forward to Budget and Accounting Section for processing. Invoices for services are to be reviewed for accuracy by appropriate project or contract manager. Reviewer is to initial and date invoice as accurate and authorized for payment. Invoice is forward to Budget and Accounting Section for processing.

**Note:** *Management states that this recommendation has been implemented. IAO will follow up on the recommendation after December 18, 2017.*

## 9. Employee Clearance Record Checklist

We performed a review of the Employee Clearance Record checklists for the period May 1, 2016 through April 30, 2017, and noted that five of 10 terminated employees did not have their checklists on file.

According to 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. This process is intended to meet computer security obligations and to inform the employee about separation policies, pay and benefit entitlements, and any goods or monies owed the County."

**Recommendation:** FMD should ensure that the Employee Clearance Record Checklists for all terminated/transferred employees are properly completed and maintained on file.

**Management Response:** When the agency knows of individuals who will be leaving the agency, the HR Manager or other HR staff will remind the supervisor to complete the Employee Clearance Record Checklist. Periodically the FMD HR section will send out reminders to supervisors to complete the Employee Clearance Checklist. The FMD HR section will audit the files annually to ensure there are Employee Clearance Record Checklists in the file and the proper steps have been taken to remove them from security or DIT accesses.

**Note:** *Management states that this recommendation has been implemented. IAO will follow up on the recommendation after December 18, 2017.*