



Fairfax County Internal Audit Office

Office of Emergency Management
Business Process Audit
Final Report

January 2018

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Office of Emergency Management (OEM). 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.

We found the department had effective procedures and internal controls in place for the handling of purchasing functions, and reconciliations were independently performed and were completed in a timely manner. In addition, the department was in compliance with the personnel/payroll administration policies and procedures. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- A credit check was not performed for one of the employees included on the agency's list of positions of trust.
- Eight instances were noted where items requiring technical review were purchased on a county procurement card.
- Five instances were noted where orders were placed on the procurement card but there was no documentation confirming receipt of the ordered goods.

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 Office of Emergency Management'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 July 1, 2016, through June 30, 2017. For that period, the department's purchases were \$124,115 for procurement cards, \$4,473 for FOCUS marketplace, \$2,554,195 for purchase orders, and \$14,367 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. Credit Check for Positions of Trust

Our audit reviewed OEM's List of Positions Requiring Credit Checks and tested any personnel changes to the list during the audit scope. One of the OEM staff members assumed a position requiring a credit check within the audit scope and no credit check was performed.

PPAPP Memorandum No. 56, *Credit Check Requirements for Positions of Trust*, states: "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."

Failure to perform credit checks on staff who assume positions with significant fiscal or information security responsibilities increases the potential for fraud or abuse.

Recommendation: The Office of Emergency Management should ensure credit checks are performed whenever a staff member assumes a position of trust.

Management Response: Currently OEM has three positions of trust and will follow county policy requiring credit checks for any personnel changes and or additions to the agency's position of trust list. OEM HR will ensure that all candidates for positions of trust complete the Credit Check Authorization Form and return to HR Central for processing.

Note: Management states that this recommendation has been completed. IAO will follow up on the recommendation after January 8, 2018.

2. Technical Review

Eight purchases on the agency procurement card did not go through the technical

review process as required by the policy. The technical items purchased included iPads, laser printers, computer monitors, and various software.

Procedural Memorandum (PM) 12-04, *Technical Review of Purchase Requisitions*, states: “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 services 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: The Office of Emergency Management should create purchase orders in FOCUS to procure equipment requiring technical review, as required by PM 12-04 and in accordance with PM 12-04m, *Technical Review Category Matrix*. If a waiver of technical review is granted by a technical review agency, documentation of the exemption should be maintained on file.

Management Response: The items identified during the audit that were not submitted for Technical review were items that were approved under existing county contracts and/or on the DIT approved equipment list. In addition, several items were replacement purchases for existing items and recurring software subscriptions. OEM follows the requirements for Technical Review when creating purchase orders within FOCUS and has updated the agency’s Purchase Request Form to include the Technical Review process for items procured with a P-Card. Staff have been trained to ensure that all requirements are met.

Note: *Management states that this recommendation has been completed. IAO will follow up on the recommendation after January 8, 2018.*

3. Receipt of Ordered Goods

Our review of procurement card transactions noted five instances where goods were ordered but the documentation on file that indicated receipt of the ordered goods was not adequate.

It is a best-practice to document receipt of goods ordered using the agency procurement card. 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 actually received.

Recommendation: The Office of Emergency Management should ensure receipt of all ordered goods is adequately documented. If a packing list 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.

Management Response: OEM follows county best practices when documenting the receipt of goods ordered by the agency. The items identified during the audit were items received without packing slips. The items were received utilizing the shipping confirmation notice. The agency neglected to have the receiver sign off on the shipping confirmation notice. When checking in goods ordered that do not have packing slips, the agency receiver will sign off on the shipping confirmation notice or invoice documenting the goods have received properly.

Note: *Management states that this recommendation has been completed. IAO will follow up on the recommendation after January 8, 2018.*