



Fairfax County

Internal Audit Office

**Office of the Clerk to the Board of Supervisors
Business Process Audit
Final Report**

March 2018

"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 Clerk to the Board of Supervisors. The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, 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 noted the following exceptions where compliance and controls needed to be strengthened:

- FOCUS monthly reconciliations were not completed in a timely manner for the months reviewed.
- An Employee Acknowledgement Disclosure Form (EAD) was not signed by the employee's supervisor and it was not dated.
- A local travel expense was not approved by an authorized approver.
- Web hosting service, a technical review item, was processed through non-purchase order and business cards, also technical items, were purchased through p-card.
- Procurement card transaction logs did not accurately reflect all procurement card activity.
- An Employee Clearance Record checklist was not completed.
- The agency did not have a list of Positions of Trust to designate staff who required credit checks.

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 Clerk to the Board'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 September 2016 through August 2017. For that period, the department's purchases were \$83,761 for procurement cards, \$24,159 for FOCUS marketplace, \$10,122 for purchase orders, and \$68,036 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. Focus Reconciliations

The monthly FOCUS reconciliations for the selected period reviewed were not completed in a timely manner. For instance, the June 2017 reconciliation was completed in August 2017 and the July 2017 reconciliation was completed in September 2017.

Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, 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 the Department of Finance (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 could go 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 the Clerk to the Board of Supervisors complete the FOCUS monthly reconciliations no later than the last day of the following month.

Management Response: Clerk to the Board's Management Analyst II and the Clerk will perform and document monthly reconciliations prior to the last day of the following month.

Note: Management anticipates completing this action by March 31, 2018. IAO will follow up on the recommendation after March 31, 2018.

2. Employee Acknowledgement Disclosure (EAD) Form

The EAD form for an employee was not signed by the employee's supervisor and the form was not dated. Therefore, IAO could not verify if the user signed the form *before* p-card usage.

Procurement Technical Bulletin (PTB) 12-1009, *Use of County Procurement Card*, 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 the Clerk to the Board of Supervisors ensure all current and potential p-card users have a thoroughly completed EAD form on file.

Management Response: Clerk to the Board's Management Analyst II and the Clerk will ensure that all p-card users have a completed EAD form on file.

Note: Management states that this recommendation has been completed in February 2018. IAO will follow up on the recommendation after March 1, 2018.

3. Local Travel

Our audit noted a local travel expense was not approved by an authorized approver. It was sent to DOF to process the payment directly.

According to Procedural Memorandum No. 06-03, *Fairfax County Travel Policies and Procedures*, it is the Department's responsibilities to "Approve or disapprove and process all forms promptly." Failure to obtain appropriate approval for travel expenses increases the risk that expenses might not be in compliance with county policy.

Recommendation: We recommend the Clerk to the Board of Supervisors approve all travel expense reports prior to sending to DOF to process.

Management Response: Clerk to the Board's Management Analyst II and the Clerk will continue to request that travel expense reports be submitted to the Clerk's Office for approval prior to sending to DOF.

Note: IAO verified that the Clerk to the Board reminded staff to submit travel expense reports to its office for processing prior to sending to DOF on March 7, 2018. No follow-up is needed for this item.

4. Technical Review

We noted two instances where technical review items (web hosting services and business cards) were purchased through either a non-purchase order or the p-card, circumventing the technical review.

Procurement Technical Bulletin (PTB) 12-1010, *Technical Review Program*, 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 service requiring technical review may not be purchased using a procurement card.”

Circumventing the technical review process increases the risk of items that are not compliant with the county’s standards, items incompatible with the county’s systems or security requirements, or a vendor that does not offer proper technical support.

Recommendation: We recommend the Clerk to the Board of Supervisors create purchase orders in FOCUS to procure all items requiring technical review in accordance with PTB 12-1010. If exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

Management Response: Clerk to the Board’s Management Analyst II will create a purchase order for Municipal Code web services. Staff will continue to recommend that business cards be purchased through County printing services or request an exemption.

Note: IAO verified that the Clerk to the Board requested and obtained exemption from appropriate technical review agencies to continue purchasing business cards and web hosting services on February 28, 2018 and March 7, 2018 respectively. No follow-up is needed for this item.

5. Procurement Card Transaction Log

We reviewed the p-card transaction logs for the period of September 1, 2016 to August 31, 2017. We noted that on nine occasions, the p-card users did not fill out the return date, the amount, vendor information, or business purpose on the logs. Additionally, the dates of several transactions were not in chronological order.

Procurement Technical Bulletin (PTB) 12-1009 states “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. Department staff

may use the example in this PTB, Attachment D, as a guide when developing a p-card transaction log. Departments should ensure that it contains all of the elements as shown in Attachment D.”

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.

Recommendation: We recommend that the Clerk to the Board of Supervisors maintain a transaction log which accurately reflects all procurement card activity, to ensure that card use is properly monitored.

Management Response: Clerk to the Board’s Management Analyst II will ensure that the transaction log accurately reflects procurement card activity.

Note: *Management anticipates completing this action by March 31, 2018. IAO will follow up on the recommendation after March 31, 2018.*

6. Employee Clearance Record Checklist

We performed a review of the Employee Clearance Record checklists for the period September 1, 2016 through August 31, 2017, and noted that one of two terminated employees did not have the checklist on file. Additionally, the responsibility for completing the Employee Clearance Checklist was not included in the job description(s) for staff assigned to this function.

According to Personnel/Payroll Administration Policies and Procedures (PPAPP) Memorandum No. 33, *Employee Clearance Record*, “Departments are required to complete an Employee Clearance Record Checklist with each employee transferring from one department to another or 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.” Memorandum No. 33 further states: “Responsibility for completing Employee Clearance Record Checklists must be included in the job description(s) for staff assigned to this function.”

Recommendation: We recommend the Clerk to the Board of Supervisors ensure that Employee Clearance Record Checklists for all terminated/transferred employees are properly completed and maintained on file. Additionally, the responsibility for completing the checklist should be included in the job description of the staff who is responsible for completing the checklist.

Management Response: Clerk to the Board’s Management Analyst II and supervisory positions will ensure that Employee Clearance Record Checklists are completed and maintained in the Clerk’s Office. The responsibility for completing the

checklist will be included in the job description of the staff who is responsible for completing the checklist.

Note: Management anticipates completing this action by March 31, 2018. IAO will follow up on the recommendation after March 31, 2018.

7. Positions of Trust

The Clerk to the Board of Supervisors did not have a list of Positions of Trust on file. According to Personnel/Payroll Administration Policies and Procedures (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, the Memorandum 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.

Lack of a list of Positions of Trust increases the risk that employees who occupy positions of trust are not subject to the required credit check. It also increases the potential for abuse or fraud by staff who have access to sensitive/confidential information.

Recommendation: The department should complete the Position of Trust Delineation Form and perform credit checks on employees who occupy positions of trust.

Management Response: Clerk to the Board's Management Analyst II and the Clerk will complete the Position of Trust Delineation Form and send to DHR.

Note: IAO verified that the Clerk to the Board completed and sent the Position of Trust Delineation Form to DHR on February 23, 2018. No follow-up is needed for this item.