



Fairfax County Internal Audit Office

Health Department
Business Process Audit
Final Report

May 2019

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Health Department. 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 accounts receivable and revenue collections, 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.

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. Reconciliations were independently performed and were completed in a timely manner. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Two items were purchased using p-card without going through the proper technical review. The Health Department has agreed that their P-Card program manager will review Technical Review requirements with custodians and authorized users.
- Employee Clearance Record Checklists were incomplete or not completed timely for 11 checklists tested. The Health Department has agreed that their HR administrative supervisor and payroll contacts will review with supervisors the requirements of completing the Employee Clearance Record Checklist for all individuals transferring from or exiting county employment. Employee Clearance Record Checklists submitted will be reviewed to ensure checklists are complete and received in a timely manner.
- We noted two purchase orders were created *after* receipt of invoice. The Health Department has agreed to review procurement policies with staff authorized to approve purchases to ensure that purchase orders are in place prior to approving purchases of goods or services that are not eligible for purchase by p-card.
- In our review of time entry and approval, we verified that for 16 employees a delegate approved time and there was no documentation of supervisor approval. The Health Department has agreed that their managers/staff shall review the department's flex/overtime/compensatory time policies and communicate the flex/overtime/compensatory time approval requirements as well as retention of written documentation requirements with supervisors.

Scope and Objectives

This audit was performed as part of our fiscal year 2019 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 Health Department 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 October 1, 2017, through September 30, 2018. For that period, the department's purchases were \$916,690 for procurement cards, \$160,307 for FOCUS marketplace, \$18,760,502 for purchase orders, and \$402,092 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. Technical Review (used for IT-related purchases)

One smart television and one HP laser printer were purchased using the department procurement card without going through the proper technical review from the Department of Information technology (DIT). These items should have been purchased using either the FOCUS marketplace or a FOCUS purchase order. By using either of these purchasing methods, DIT could review the additional hardware being purchased and approve its use with county computers.

Procurement Technical Bulletin (PTB) 12-1009, Use of the County Procurement Card, 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."

If computer equipment is purchased without proper review by DIT, a couple of issues may arise. First, the equipment purchased may not be compatible with the current network or computing equipment. Secondly, it may have security vulnerabilities that jeopardize County data. Finally, DIT may not have the capability or availability to

support or troubleshoot issues with the device or the device is known for having constant major issues and should not be used.

Recommendation: We recommend all applicable computer equipment be purchased through the FOCUS Marketplace or FOCUS purchase order system to allow the proper technical review to take place.

Management Response: The Health Department P-Card program manager will review Technical Review requirements with custodians and authorized users.

Note: Management has stated that they have implemented these actions as of this audit report. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.

2. Employee Clearance Record Checklist

Employee clearance record checklists were incomplete for 11 of the 15 checklists tested. In addition, a checklist was not completed for one employee and four checklists were not completed in a timely manner.

Per *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."

Failure to maintain adequate controls over the process for completing Employee Clearance Checklists increases the risk of County property not being returned; terminated employees having access to County systems; and disputes between the County and prior employees, should an issue arise at a later date.

Recommendation: The Health Department should complete and retain an Employee Clearance Record Checklist for employees transferring from one department to another or leaving county service. Additionally, the Health Department should ensure checklists are complete, and are completed in a timely manner.

Management Response: The Health Department HR administrative supervisor and payroll contacts will review with supervisors the requirements of completing the Employee Clearance Record Checklist for all individuals transferring from or exiting county employment. Employee Clearance Record Checklists submitted will be reviewed to ensure checklists are complete and received in a timely manner.

Note: Management has stated that they have implemented these actions as of this audit report. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.

3. Purchase Order Created *After* Receipt of Invoice

In our review, we noted two purchase orders that were created *after* the receipt of the invoice. One purchase order was dated 10/3/17, however the invoice was dated 9/5/17. The second purchase order was dated 3/8/18 and the invoice was dated 1/2/18, as a result the invoice was not paid until April.

Agencies are required to create and approve a purchase order in FOCUS *prior* to placing an order with a vendor. 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. Additionally, purchases made without the signature of the County's purchasing agent are the responsibility of the purchaser if anything goes wrong.

Recommendation: We recommend the Health Department submit all procurement requests through FOCUS and have it approved prior to placing an order with a vendor.

Management Response: The Health Department will review procurement policies with staff authorized to approve purchases to ensure that purchase orders are in place prior to approving purchases of goods or services that are not eligible for purchase by p-card.

Note: *Management has stated that they have implemented these actions as of this audit report. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.*

4. Approval of Compensatory Time and Overtime Earned

In our review, we noted 16 instances over 16 different employees in which compensatory time and overtime earned was approved by a delegate with no documented evidence of supervisory approval. We sampled a single time entry for each of the 16 employees and in all those instances, our verification noted that the delegate approved time based on the supervisor's verbal approval and no written evidence of the supervisors' approval was maintained.

PPAPP Memorandum No. 8, *Time and Attendance System and Controls*, states: "Managers are responsible for approving in advance (verbally or in writing) all employee requests to work overtime (hours above the regular schedule), and for documenting that approval in a manner that can be audited by internal and external auditors. Approval of the employee's timesheet via MSS is adequate documentation that advanced approval for overtime was granted." In addition, Memorandum No. 8 states: "When advance approval of overtime is not possible, supervisory approval should be obtained and documented, to the extent possible, within one business day of the employee's overtime."

Failure to document the supervisor's time approval increases the risk of time being approved without a supervisor's permission and waste or loss of county funds.

Recommendation: We recommend the Health Department maintain documentation evidencing supervisor approval in situations where a delegate approves compensatory time earned in FOCUS.

Management Response: The Health Department shall have managers/staff review the department's flex/overtime/compensatory time policies and communicate the flex/overtime/compensatory time approval requirements as well as retention of written documentation requirements with supervisors. Management anticipates completing this action by July 1, 2019.