



Fairfax County Internal Audit Office

**Office of the Commonwealth's Attorney
Business Process Audit
Final Report**

August 2019

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Office of the Commonwealth's Attorney. 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, and procedures for completing criminal background investigations for employment in sensitive positions.

We noted the following areas where controls will be strengthened as a result of this audit:

- The monthly reconciliation of purchase orders and non-purchase orders was not being performed. The Office of the Commonwealth's Attorney will begin to reconcile PO and Non-PO transactions with the preparer and reviewer signing and dating certification form.
- Our audit noted a control weakness in the time entry and approval process. Over a six-month period, eleven-time entries were initiated and approved by the same individual. The Office of the Commonwealth's Attorney will implement stronger internal controls for time approval in the agency.
- Deficiencies were noted in the timing of approval of Travel Authorization Forms for nine of the 20 sample transactions. The Office of the Commonwealth's Attorney will now prepare travel authorization forms *prior* to travel.
- We noted two purchase orders that were created *after* the receipt of the invoice. The Office of the Commonwealth's Attorney has agreed to submit all PO requests for approval in FOCUS before ordering with vendor to ensure compliance with PTB 12-1007.
- We noted that 39 of 40 transactions tested were completely omitted from the p-card transaction log. The Office of the Commonwealth's Attorney will now require employees checking out the p-card to record their name, date, vendor and description of purchase on the transaction log and return the card with a receipt to ensure cards are accurately tracked.
- Employee Clearance Record Checklists were incomplete for 3 of the 5 checklists tested. The Office of the Commonwealth's Attorney will fully complete an Employee Clearance Record Checklist for employees transferring and leaving the County and retain the forms in the Employee Personnel file.

- Weekly transaction reports for all the 15 marketplace transactions and 32 of the 40 p-card transactions tested, were not printed for weekly review of transactions. The Office of the Commonwealth's Attorney will begin to print, review and sign weekly transaction reports for all JP Morgan accounts.
- Three of the 40 transactions reviewed were not reclassified out of the procurement card clearing account in a timely manner. The Office of the Commonwealth's Attorney will re-class all p-card expenses to the proper G/L account on a monthly basis.
- A signed copy of the Using Agency Director's Statement of Responsibility to Department of Procurement and Material Management (DPMM) was not retained on file prior to the audit. During the audit, IAO verified that the Office of the Commonwealth Attorney implemented this item, therefore, no follow-up will be performed for this item.
- Our review noted that one named p-card and one marketplace card were assigned to employees who had transferred to another County agency; however, the cards with those names were still active as of the time of our audit. The Office of the Commonwealth's Attorney has contacted DPMM regarding p-card and ghost p-card name change.
- Two items were purchased using the p-card without going through the proper technical review. The Office of the Commonwealth's Attorney will obtain DIT approval before purchasing non-FOCUS marketplace computer equipment.
- In our review we noted five of the 40 procurement card transactions tested were not supported by a signed packing slip or other evidence indicating who confirmed receipt of ordered goods and the date it was confirmed. The Office of the Commonwealth's Attorney will ensure all packing slips are signed and dated. In addition, they will review and research unexplained charges on the receipt or bank statements and document a detailed explanation.

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 *Office of the Commonwealth's Attorney'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 April 1, 2018, through March 31, 2019. For that period, the department's purchases were \$169,819 for procurement cards, \$24,162 for FOCUS marketplace, \$23,471 for purchase orders, and \$61,790 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. Monthly Reconciliations

In our review, we found that the Office of the Commonwealth's Attorney did not perform a monthly reconciliation of purchase orders and non-purchase orders. While they did reconcile the procurement card and FOCUS Marketplace transactions on a monthly basis and included the required reconciliation certification forms, the forms were not dated by the preparer, therefore timeliness could not be determined.

Per *Accounting Technical Bulletin (ATB) 020, Reconciliation of Financial Transactions*, "County management has fiduciary responsibility, as custodians of public funds, to ensure the integrity of financial transactions posted to FOCUS. To ensure the integrity of the county's financial records, county departments are responsible for performing monthly reconciliations on a timely basis at the transaction level. These reconciliations are to be carried out in accordance with a department reconciliation plan that has been approved by DOF."

Additionally, ATB 020 requires departments to complete a Reconciliation Certification Form. The form should be signed and dated by the director or designee indicating the reconciliation that was completed for a specific period. This is to verify that the department's transactions have been reconciled timely and authorizer/approver verified.

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: On a monthly basis, the Office of the Commonwealth's Attorney should develop documentation to substantiate that the complete population of PO and Non-PO transactions have been reconciled from FOCUS records to the source

documents. Additionally, the preparer and reviewer of the reconciliations should sign and date the Reconciliation Certification Form to evidence a timely preparation and review process. The forms should be maintained on file by the agency.

Management Response: The Office of the Commonwealth's Attorney will reconcile PO and Non-PO transactions with the preparer and reviewer signing and dating certification form. Management has stated that this item was implemented as of August 12, 2019.

2. Time Entry & Approval Separation of Duties

Our audit noted a control weakness in the Office of the Commonwealth's Attorney's time entry and approval process. Over a six-month period, we noted eleven time entries that were initiated and approved by the same individual. These instances involved one approver and one employee.

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

Recommendation: The Office of the Commonwealth's Attorney should implement adequate internal controls to prevent initiation and approval of time entries by the same individual.

Management Response: The Office of the Commonwealth's Attorney will implement internal controls for time approval in the agency. Management has stated that this item was implemented as of August 12, 2019.

3. Travel Authorizations

Deficiencies were noted in the timing of approval of Travel Authorization Forms for nine of the 20 sample transactions. For six of the nine forms, while there was evidence that the trip was pre-approved, and supervisors were aware of the travel, the Travel Authorization forms were completed and approved *after* the travel return date. In addition, three of the nine travel authorization forms did not have a signature or date.

Procedural Memorandum (PM) 06-03, Fairfax County Travel Policies and Procedures, states: "A completed Travel Authorization Form is required for all non-local and overnight travel including trips where the procurement card is used for any or all expenses." Additional guidance provided in the Travel Tips and Reminders document on the Department of Finance (DOF) website states: "Before you purchase any tickets or pay for registration you MUST complete a Travel Authorization Form and have department approval. Items purchased without prior approval may not be reimbursed."

Failure to complete a travel authorization form prior to incurring expenses for non-local or overnight travel increases the risk of inappropriate or unauthorized travel expenses and incurring expenses that may not be reimbursed.

Recommendation: The Office of the Commonwealth's Attorney should ensure a Travel Authorization Form is completed and approved before any non-local or overnight travel arrangements are made.

Management Response: The Office of the Commonwealth's Attorney will prepare travel authorization forms *prior* to travel. Management has stated that this item was implemented as of August 12, 2019.

4. 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 7/19/18, however the invoice was dated 6/25/18. The second purchase order was dated 1/7/19 and the invoice was dated 11/15/18.

Agencies are required to create and approve a purchase order in FOCUS *prior* to placing an order with a vendor; otherwise, agencies must comply with the provisions of PTB 12-1007 – *Unauthorized Purchases/Confirming Orders* and process the payment as a confirming order.

Failure to create and approve a purchase order in FOCUS prior to placing an order with a vendor 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: The Office of the Commonwealth Attorney should submit all procurement requests through FOCUS and have them approved prior to placing an order with a vendor. If an order is placed without an approved purchase order the Office of the Commonwealth Attorney should comply with the remediation provisions of PTB12-1007.

Management Response: The Office of the Commonwealth's Attorney will submit PO requests for approval in FOCUS before ordering with vendor to ensure compliance with PTB 12-1007. Management has stated that this item was implemented as of August 12, 2019.

5. Transaction Logs

The procurement card transaction log was not a complete reflection of the department's procurement card spending. We noted that 39 of 40 transactions tested were completely omitted from the transaction log. As a result, we were unable to identify procurement card users and verify if they had an Employee Acknowledgement Disclosure (EAD) form on file.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, indicates that a system that tracks expenditures as they occur must be in place. Agencies may use an appropriate manual or computer log to record both debit and credit transactions. Entries must be contemporaneous to give up-to-date information on funds expended and the applicable card user.

If possession of the p-card is not accurately tracked, the risk of fraudulent transactions is increased. Additionally, accountability is reduced in the event a card is lost or inappropriate charges are placed on the card.

Recommendation: We recommend the Office of the Commonwealth's Attorney accurately reflect all procurement card activity on the transaction log, to ensure that cards are being properly monitored.

Management Response: The Office of the Commonwealth's Attorney will require employees to check out p-card with name, date, vendor and description of purchase on the transaction log and return the card with receipt to ensure cards are accurately tracked. Management has stated that this item was implemented as of August 12, 2019.

6. Employee Clearance Record Checklist

Employee Clearance Record Checklists were incomplete for 3 of the 5 checklists tested. In addition, two checklists were not completed for two employees that left during the audit period. Furthermore, the responsibility for completing the checklists was not included in the job description of the responsible employee.

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 later.

Recommendation: The Office of the Commonwealth's Attorney should complete and retain an Employee Clearance Record Checklist for employees transferring from one department to another or leaving County service. Additionally, a copy of the signed checklist should be provided to the employee upon departure from the County, and the responsibility for completing the checklist should be included in the job description of the staff who is/are responsible for completing the checklist.

Management Response: The Office of the Commonwealth's Attorney will complete an Employee Clearance Record Checklist for employees transferring and leaving the County. Forms will be retained in Employee Personnel file. Management has stated that this item was implemented as of August 12, 2019.

7. Weekly Transaction Reviews

Weekly transaction reports for all the 15 marketplace transactions and 32 of the 40 p-card transactions tested, were not printed for weekly review of transactions. Additionally, eight of the 40 weekly transaction reports that were printed were not signed and dated to evidence review and six of the eight were not printed timely. For instance, the weekly transaction report for period 02/09/19 to 02/15/19 was printed on 04/23/19.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, 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 the Office of the Commonwealth's Attorney perform and document weekly reviews of procurement card transactions reports which contain all items posted to the bank the prior week.

Management Response: The Office of the Commonwealth's Attorney will print, review and sign weekly transaction reports for all JP Morgan accounts. Management has stated that this item was implemented as of August 12, 2019.

8. Transaction Clearing Accounts

Three of the 40 transactions reviewed were not reclassified out of the procurement card clearing account in a timely manner. The reclassifications were performed over two months after the posting date. In addition, documentation was not provided for 11 of the 40 transactions showing the reclassification had been performed.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, requires that whenever a card billing is posted to a clearing account all charges should be moved to the appropriate expenditure account at least monthly.

Failure to properly classify procurement card expenses in a timely manner misstates departmental financial reports, increasing the risk of management making decisions based on inaccurate financial information.

Recommendation: Transactions posted to a procurement card clearing account should be reclassified to the proper expenditure account on at least a monthly basis.

Management Response: The Office of the Commonwealth's Attorney will re-class all p-card expenses to the proper G/L account on a monthly basis. Management has stated that this item was implemented as of August 12, 2019.

9. Using Agency Director's Statement of Responsibility

The Office of the Commonwealth's Attorney did not have a signed copy of the Using Agency Director's Statement of Responsibility to Department of Procurement and Material Management (DPMM) prior to our audit.

Procurement Technical Bulletin (PTB) 12-1009 states that: "The agency director is required to sign this form prior to the agency's initial participation in the p-card program. When the director leaves the agency, the Program Manager should have the new director sign the form and forward the original to DPMM."

Failure to have a signed Using Agency Director's Statement of Responsibility on file decreases accountability and increases the risk of operating the p-card program outside of County guidelines.

Recommendation: We recommend Office of the Commonwealth's Attorney forward the signed Using Agency Director's Statement of Responsibility to DPMM and maintain a copy at the agency.

Note: During the audit, IAO verified that the Office of the Commonwealth Attorney implemented this item, therefore, no follow-up will be performed for this item.

10. Active Procurement Cards

Our review noted that one named p-card and one marketplace card were assigned to employees who had transferred to another agency; however, the cards with those names were still active as of the time of our audit. The agency contacted the Department of Procurement and Material Management (DPMM) upon the employee's departure, however, no replacement cards were obtained.

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 that the Office of the Commonwealth's Attorney notify DPMM of the employee's departure and cancel the cards immediately.

Management Response: The Office of the Commonwealth's Attorney contacted DPMM regarding p-card and ghost p-card name change. The Cathy Yates card is replaced with Laura Kerns and we have not heard back regarding the ghost p-card. Management anticipates completing this action by February 20, 2020.

Note: During the audit, the Office of the Commonwealth's Attorney contacted DPMM and initiated the process to get the cards cancelled and obtain replacement cards. IAO will follow up to verify that the item has been implemented.

11. Technical Review (used for IT-related purchases)

One portable external hard drive for \$226 and one flash drive for \$21 were purchased without going through the proper technical review from the Department of Information Technology (DIT). These items should have been purchased using either FOCUS marketplace or a FOCUS purchase order. By using either of these purchasing methods, DIT would automatically review the 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 Office of the Commonwealth's Attorney will get DIT approval before purchasing non-FOCUS marketplace computer equipment. Management has stated that this item was implemented as of August 12, 2019.

12. Receipt Documentation

Five of the 40 procurement card transactions tested were not supported by a signed packing slip or other evidence indicating who confirmed receipt of ordered goods and the date it was confirmed. One of 15 marketplace transactions tested did not have a date on which the items were confirmed received. In addition, the receipts for three of the 40 procurement card transactions did not match the transaction total. In order to reconcile the receipts to the bank statement, additional charges on the bank statement of \$36, \$19 and \$38 must be added to the transaction. There was no documentation or detailed explanation provided to explain what these additional charges were for.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, requires that agencies maintain all original receipts, invoices, or credits for each transaction. Receipts should show all details pertinent to the transaction. If for any reason an original, alternate or photocopied receipt is not available a memorandum providing the purchase details and the reason why the original receipt is not available must be included with the monthly statement or weekly transaction report and be

signed by the program manager. Without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined. Procedural Memorandum 12-16, *On-Line Procurement of Office Supplies*, requires that all agencies verify goods received against the packing list and the original order. The packing list should then be signed and dated to document proper receipt of goods.

Recommendation: The Office of the Commonwealth's Attorney should ensure that sufficient receipt documentation is maintained on file for all procurement card and FOCUS Marketplace transactions. If a packing slip is not included with the shipment, receipt of the ordered goods should be documented on the invoice or a separate receiving report with receiver's initials and date. 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. In addition, unexplained charges on the receipt or bank statements should be reviewed and researched and a detailed explanation should be documented.

Management Response: The Office of the Commonwealth's Attorney will ensure all packing slips are signed and dated. The Office of the Commonwealth's Attorney arranges witness travel through Travelocity, CheapOair and other airlines that charge fees. The Office of the Commonwealth's Attorney will review and research unexplained charges on the receipt or bank statements and document a detailed explanation. Management has stated that this item was implemented as of August 12, 2019.

Note: *For all items implemented on August 12, 2019, IAO will follow up on those actions after sufficient time has passed to be able to review enough transactions to determine that the new processes are consistently applied.*