



# Fairfax County Internal Audit Office

**Fairfax-Falls Church Community Services Board  
Business Process Audit  
Final Report**

**February 2020**

*"promoting efficient & effective local government"*

## Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Fairfax-Falls Church Community Services Board (CSB). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-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 noted the following areas where controls will be strengthened as a result of this audit:

- We noted control weaknesses in the time entry and approval process. Over a six-month period, there were 3,105 time entries in which the preparer was also the approver. These entries included 105 different approvers. CSB will send out time entry reminders each pay period and will reinforce policy requirements in communication to senior leadership and subordinate managers.
- Deficiencies were noted in the reconciliation process for purchase orders, marketplace, and non-purchase order transactions regarding the adequacy of supporting documentation, and completion of the reconciliation certification form. CSB will work with the Department of Finance (DOF) to determine a possible solution regarding adequate supporting documentation. The reconciliation form will be completed to indicate timely completion of tasks.
- Two employees on compressed schedules did not record compensatory or annual leave on a total of 21 holidays. Per CSB, one of the employees worked a compressed schedule based on personal preference. The other employee worked her schedule due to department operational needs; however, there was no documentation maintained of the work requirement authorization to work a compressed schedule and be exempted from recording annual leave or compensatory leave. CSB will reinforce County policy and will correct applicable time records.
- In our review of approvals of overtime/compensatory time earned, we noted 27 instances where the delegate approved time and there was no documentation of supervisor approval. CSB will remind staff that documented supervisory approval is required.
- Employee Clearance Record Checklists were not properly completed for three terminated employees. In addition, two checklists were not signed by the employees and one was signed by the supervisor *after* the termination date. Responsibilities for completing Employee Clearance Record checklists were also not included in the job/position description(s) for staff assigned to this function.

CSB will implement a new business process to ensure that checklists are complete and include the responsibility in the job description for the HR Manager.

- We noted 11 instances where the employee who used the procurement card did not have a completed P-Card Training Certification Test. For eight users, the P-Card Administrator signed the EAD form more than 30 days after they were signed by the employees. CSB will ensure that potential users of p-cards complete the EAD form and the Certification Test prior to usage. Forms will not be held for more than 30 days.
- There was lack of evidence to indicate that weekly reviews of procurement card and marketplace transactions were being completed. CSB will initial and date the reviews to provide proof of completion.
- The cycle spending limits for 11 procurement cards were set too high compared to their actual usage. CSB will implement a new business process to assess card usage and appropriate limits.
- Two Travel Authorization Forms were not approved prior to travel occurring. Additionally, in 11 instances, adequate backup documentation for mileage claimed was not maintained on file. Communication will be sent to the entire CSB to remind travelers that the Travel Authorization Form must be completed before arrangements are made. Communication will also be sent to remind travelers to ensure that mileage recorded on Travel Vouchers is verifiable.
- 15 Marketplace purchases did not have the associated invoice. Receipt of purchases was not documented for three transactions, including two for which the receipts were not retained. CSB Finance will ensure all documentation is adequate and kept on file. Quarterly quality assurance checks will be implemented to monitor this and to provide additional guidance to program staff as needed.
- There was no evidence that CSB maintained a copy of the Using Agency Director's Statement of Responsibility to Department of Procurement and Material Management (DPMM). This statement has now been signed by the Executive Director.
- One staff person on the department's Positions of Trust list did not have a credit check performed in a timely manner. CSB will obtain credit checks in a timely manner for all individuals on the Position of Trust list.
- A technical review item was purchased through p-card without documented evidence of technical review prior to the purchase. CSB will process any tech-review related items via a purchase order.

## 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 Community Services 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, and non-purchase order transactions that occurred during the period of September 2017 through August 2018. For that period, the department's purchases were \$2,034,941 for 92 procurement cards, \$467,701 for FOCUS marketplace, \$20,020,452 for purchase orders, and \$19,997,075 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. Time Entry & Approval Separation of Duties

Our audit noted a control weakness in CSB's time entry and approval process. The audit population included 137,593 time entries for the period March 6, 2018 through August 2018. Of those entries, there were 3,105 instances where time entries were initiated and approved by the same individual. These instances involved 105 different approvers.

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

**Recommendation:** CSB should implement adequate internal controls to prevent initiation and approval of time entries by the same individual.

**Management Response:** Time entry reminders will be sent out each pay period to remind time approvers that they may not both enter and approve time. Communication with senior leadership and subordinate managers will remind them of the policy and consequences for failure to follow it. Personnel/Payroll Administration Policies and Procedures (PPAPP) *Memorandum 8 Time & Attendance System and Controls* will be reinforced in the communication. CSB anticipates completing these actions by January 30, 2020.

**Note:** *During the audit, IAO verified that CSB implemented time entry reminders to time approvers. IAO will follow up after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.*

## 2. Monthly Reconciliations

CSB did not have documented evidence that the complete population of transactions was reconciled for purchase orders (POs), Marketplace, and non-purchase orders (Non-POs) to supporting documentation. On their reconciliation certification form, it was noted that for the two months reviewed, the overall review performed by the Team Leads, Financial Specialist III, and the Financial & Procurement Manager (Financial Specialist IV) was not documented, and that three tasks were not performed timely for each month.

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, *Accounting Technical Bulletin 020, Reconciliation of Financial Transactions*, provides a Reconciliation Certification Form that is to be signed by the director or designee indicating that reconciliation was completed for a specific period for the financial transactions. This is to verify that the department's transactions have been reconciled and authorizer/approver verified. If another reconciliation form is to be used, CSB should ensure that all reviews are documented and that all tasks are performed timely.

**Recommendation:** We recommend CSB collaborate with DOF to create a specific plan and method to reconcile Marketplace, purchase orders, and non-purchase orders on a monthly basis. The method should be approved by DOF prior to implementation. Once implemented, on a monthly basis, CSB should develop a process to substantiate that the complete population of Marketplace, PO and Non-PO transactions has been reconciled from FOCUS records to source documents. Additionally, the preparers and reviewers of the reconciliations should sign and date the reconciliation form to evidence a timely and complete preparation and review process.

**Management Response:** To improve upon the existing process, preparers and reviewers of the reconciliation will initial and date documents to show evidence of timely completion. Management has stated that this item was implemented as of January 1, 2020. Management stated that CSB Finance will meet/work with DOF to determine if there is a suggested/recommended solution to resolve the source documentation issue. CSB anticipates completing this action by March 31, 2020.

### 3. Statutory Holiday Reporting

Two employees at the CSB did not accurately record, or account for statutory holidays while working a compressed schedule for a total of 21 holidays. Employees who work a compressed schedule (with 9 or 10 hour days), must account for the extra hour(s) on statutory holiday leave reporting. When a holiday falls on the day that an employee is scheduled to work more than 8 hours, the employee is eligible for 8 hours of paid holiday leave. To account for the employee's total work hours for that day, either annual leave or compensatory leave must be taken. Per CSB, one of the employees worked a compressed schedule based on personal preference. CSB stated that the other employee worked her schedule due to department operational needs; however, there was no documentation maintained of the work requirement authorization to work a compressed schedule and be exempted from recording annual leave or compensatory leave.

Personnel/Payroll Administration Policies and Procedures Memorandum (PPAPP) 13, *Time and Attendance Reporting for All Employees Except 24-Hour Shift Fire Protection Personnel & Law Enforcement Personnel*, requires agencies comply with Personnel Regulations and with the Fair Labor Standards Act (FLSA) as it applies to local government. The policy states: *".....attendance and absence data must be recorded in the County payroll system for each employee during every pay period for which that employee has hours worked, is in a paid leave status, or has recorded leave without pay. Additionally, if an employee's scheduled hours for a day on which a holiday falls are greater than the maximum number of holiday hours that the employee may be granted, the employee must take annual or compensatory leave to receive a full day's pay. This applies to employees who elect to work a compressed workweek or flex schedule. Full-time merit employees (other than Fire and Rescue Department employees on the 24- hour shift schedule) who are scheduled to work more than 8 hours due to departmental operational needs (this does not include employees who elect to work a compressed work week or flex schedule), shall be granted holiday time off with pay up to the regularly scheduled hours for a full holiday (or one-half of the regularly scheduled hours for a half holiday).*

Failure to accurately record statutory holiday leave allows employees to be paid for hours for which they did not work and overstates their leave balances.

**Recommendation:** We recommend CSB require employees working a compressed schedule to comply with the County policy for Statutory Holiday leave reporting. In addition, any overstated employee leave balances should be corrected. For instances in which employees are required to work non-standard schedules due to operational needs, management should document the authorization, schedule and business justification for the exemption to reporting leave taken on holidays.

**Management Response:** Communication will be sent to remind staff that CSB requires employees to follow Personnel/Payroll Administration Policies and Procedures Memorandum (PPAPP) 13, *Time and Attendance Reporting for All Employees (Except 24-Hour Shift Fire Protection Personnel & Law Enforcement Personnel)* regarding holiday pay when the employee elects to work a compressed work week or flex schedule. Of the two employees referenced, further research found that one of the them works a schedule mandated by her manager (business needs); the other will have corrections made to her time record, as necessary. Management will maintain documentation of the work requirement authorization for future instances of employees who work a compressed schedule and are exempted from recording annual leave or compensatory leave. CSB anticipates completing these actions by January 30, 2020.

#### 4. Approval of Compensatory Time and Overtime Earned

We noted twenty-seven instances over 50 different approvers in which the delegate approved overtime or compensatory time earned; however, there was no documentation of the supervisor's approval on file.

Per PPAPP Memo #8, *Time and Attendance System Controls*, "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, it 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 supervisor's time approval increases the risk of inaccurate time being approved and waste or loss of County funds.

**Recommendation:** For situations where the delegate approves compensatory time or overtime earned in FOCUS, we recommend CSB maintain documentation evidencing supervisory approval.

**Management Response:** Communication will be sent to remind staff that if the manager of record will not be able to approve time, the delegate will approve compensatory time or overtime earned only if s/he has received supervisory approval in writing, or if the time is covered by a previous authorization memo by the manager. This approval will be retained on file for future audit purposes. CSB anticipates completing these actions by January 30, 2020.

## 5. Employee Clearance Record Checklist

We noted the following when reviewing Employee Clearance Record Checklists:

- Three checklists were only partially completed with the appropriate boxes not completed.
- Three forms were not properly signed. One form was not signed by an employee; one was not signed by the interviewer; and, another was not signed until after the termination date.
- Responsibilities for completing Employee Clearance Record checklists were not included in the job/position description(s) for staff assigned to this function.

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, employees receive a copy of the Employee Clearance Record Checklist and sign verifying receipt, and responsibility for completing Employee Clearance Record Checklists must be included in the job description(s) for staff assigned to this function.”

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:** CSB should complete and retain an Employee Clearance Record Checklist for employees transferring from one department to another or leaving the County service. Additionally, a copy of the signed checklist should be provided to the employee upon departure, and responsibility for completing the checklist should be included in the job descriptions for staff assigned to complete these checklists.

**Management Response:** CSB HR sends an email with the Employee Clearance Record Checklist to managers with instructions on completion - this will be updated to include giving a copy of the checklist to the employee upon departure. CSB HR staff will review the checklist upon submission and have any errors corrected at that time. CSB anticipates completing these actions by January 30, 2020.

**Note:** *During the audit, IAO verified that CSB promptly updated the position description to include the responsibility for completing the Employee Clearance Checklist. IAO will follow up after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.*

## 6. Employee Acknowledgement Disclosure (EAD) Form and P-Card Training Certification Test

We noted 11 instances where the employee who used the procurement card did not have completed a P-Card Training Certification Test. For 8 users (12 purchases), the P-Card Administrator signed the EAD form more than 30 days after they were signed by the employees.

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 that CSB ensure all current and potential p-card users have a thoroughly completed EAD form and Certification Test on file before they start using the card.

**Management Response:** CSB's current process is to verify all users against the authorized P-Card user list. If the individual wishing to use a P-Card is not listed, CSB provides guidance to the individual to complete the P-Card test as well as complete the EAD prior to using the P-Card. Finance staff would typically hold the forms for finance approval (signature), until a group of forms needed to be signed. Going forward, CSB will not hold forms for signature for more than 30 days.

**Note:** *Management has stated that this item was implemented as of January 1, 2020. IAO will follow up to determine that the new process is consistently applied.*

## 7. Weekly Transaction Reviews

There was no evidence to indicate that a weekly review of procurement card and FOCUS marketplace procurement card usage was being completed. 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 CSB perform and document weekly reviews of procurement card and FOCUS Marketplace transaction reports which contain all items posted to the bank for the prior week. Once completed, the reviewer should sign and date the report to document the completion of the review.

**Management Response:** CSB has been completing weekly reviews of the transaction report, however, they did not initial or date them once completed. Going forward they will initial and date the reviews to provide proof of completion.

**Note:** Management has stated this item was implemented as of January 1, 2020. 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.

## 8. Procurement Card Limits

An analysis performed on card limitation controls for the department's 87 open procurement cards for the period September 2017 through August 2018 (five were closed during our audit period), revealed that the monthly spending limits were set too high compared to the actual usage for 11 cards. For instance, the credit limit for card "CSB Purchasing 2" was \$50,000; however, the highest amount spent on the card for one month was \$7,368 over the 12-month audit scope period. Also, there were two locations with multiple cards with limits of \$1,000; some were used in only a few months or had low usage in multiple months.

The County has limited dispute rights for fraudulent charges on work group cards and agencies are liable for fraudulent charges until such cards are reported to the bank as lost or stolen. 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 CSB review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs.

**Management Response:** CSB Finance will implement a quarterly review process to assess usage and appropriate card limits. CSB anticipates completing these actions by February 15, 2020.

## 9. Travel Authorization

Deficiencies were noted in the timing of completion of Travel Authorization Forms for two of the sample transactions. 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. Furthermore, 10 Local Travel Vouchers and one Non-Local Travel Voucher were not supported by adequate backup documentation for mileage claimed.

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.” Additional guidance provided in the Travel Tips and Reminders document on the DOF website suggests to “Keep MapQuest mileage as back up documentation.”

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. Furthermore, failure to obtain appropriate approval for travel expenses increases the risk that expenses might not be in compliance with County policy.

**Recommendation:** CSB should ensure a Travel Authorization Form is completed and approved before any non-local or overnight travel arrangements are made. Additionally, we recommend that CSB ensure that mileage documented on travel vouchers is verifiable, either with specific addresses noted on the vouchers or with adequate mileage backup documentation.

**Management Response:** Communication will be sent to entire CSB to remind travelers that the Travel Authorization Form must be completed before travel arrangements are made. Communication will also be sent to remind travelers to ensure that mileage recorded on Travel Vouchers is verifiable. CSB anticipates completing these actions by February 15, 2020.

## 10. Marketplace Receiving

When reviewing receipt of items ordered via Marketplace, we noted that 15 of 25 sample transactions maintained on file did not have invoices for the FOCUS marketplace purchases. Additionally, we noted that 3 of 25 sample transactions maintained on file did not have signed and dated packing slips. 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.

Failure to adequately document the receipt of purchases prevents the assurance of an adequate separation of duties and increases the risk of paying for items that were not received.

**Recommendation:** CSB should ensure that 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 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.

**Management Response:** CSB Finance will continue to work with the rest of CSB to ensure all documentation is adequate and kept on file. Finance will implement quarterly quality assurance checks to monitor this and to provide additional guidance to program staff as needed. CSB anticipates completing these actions by February 15, 2020.

## 11. Using Agency Director's Statement of Responsibility

There was no evidence that CSB maintained a copy of the Using Agency Director's Statement of Responsibility to Department of Procurement and Material Management (DPMM).

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 CSB 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 Community Services Board implemented this item, therefore, no follow-up will be performed for this item.*

## 12. Credit Checks

One staff person on the department's Positions of Trust list did not have a credit check performed in a timely manner.

Personnel/Payroll Administration Policies and Procedures Memorandum (PPAPP) No. 56, *Credit Check Requirements for Positions of Trust*, states "Employees who occupy positions of trust are subject to a credit check." Moreover, "The department director or designee will ensure that new hires, as well as employees promoted, demoted or transferred to a position of trust, are processed for a credit check in a timely manner."

Obtaining credit checks for those in a position of trust (i.e., those with fiduciary responsibility) decreases the risk of potential for abuse or fraud.

**Recommendation:** CSB should obtain credit checks in a timely manner for all individuals on the Positions of Trust list. The credit checks should be completed upon initial hire, promotion, transfer, or demotion to a position of trust.

**Management Response:** CSB will obtain credit checks in a timely manner for all individuals on the Position of Trust list. The credit checks will be completed upon initial hire, promotion, transfer, or demotion, to a position of trust.

**Note:** *Management has stated this item was implemented as of January 1, 2020. IAO will follow up on these actions to determine that the new process is consistently applied.*

### 13. Technical Review

We noted one instance where technical review item (a license subscription renewal - \$955.86) was purchased through the p-card, without documented evidence of technical review prior to the purchase of the items. Per discussion with CSB, they worked with DIT staff prior to obtaining the initial license; however, the subscription was renewed without documentation of an applicable tech 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."

Items purchased without going through the required technical review process increases the risk of overpayment for goods, purchasing items that are not compliant with the county's standards, items incompatible with the county's systems or security requirements, and purchasing from a vendor that does not offer proper technical support.

**Recommendation:** We recommend that CSB creates purchase orders in FOCUS to procure all items requiring technical review in accordance with PTB 12-1010. Written approval documentation should be maintained for technical review purchases if the procurement card method is used. If exemptions from technical review are granted by a technical review agency, then documentation of the exemption should be maintained on file.

**Management Response:** Any tech-review related items will be processed via a purchase order in the future. Creating a purchase order, instead of using a P-card, ensures that tech related items are automatically reviewed by DIT for compliance.

**Note:** *Management has stated that this item was implemented as of January 1, 2020. 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.*