



Fairfax County Internal Audit Office

Department of Neighborhood and Community Services
Business Process Audit
Final Report

February 2020

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Neighborhood and Community Services (NCS). 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, and credit check requirements for positions of trust.

We found that reconciliations were independently performed and completed in a timely manner. In addition, the department had effective procedures and internal controls in place for the handling of p-card purchases and non-purchase order payments. However, we noted the following areas where compliance and controls will be strengthened as a result of this audit:

- There was lack of evidence to indicate that a weekly review of Marketplace transactions was being completed. NCS has now implemented a corrective weekly review and documentation procedure.
- We noted that for four terminated employees, an employee clearance record checklist was only partially completed. Furthermore, the checklist was not completed for one G status employee. Additionally, the responsibility for completing the checklist was not included in the job/position description for staff assigned to this function. NCS has taken multiple steps to ensure that the checklists will be completed accurately and timely.

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 NCS'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, and non-purchase order transactions that occurred during the period of November 1, 2017 through October 31, 2018. For that period, the department's purchases were \$737,668 for procurement cards, \$39,451 for FOCUS marketplace, \$19,750,345 for purchase orders that were received, and \$488,098 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. Weekly Transaction Reviews

There was lack of evidence to indicate that a weekly review of Marketplace transactions 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. The reviewer should then sign and date the transaction report to document that the review was performed in a timely manner.

Failure to review weekly transaction reports increases the risk that inappropriate purchases will not be identified in a timely manner.

Recommendation: We recommend NCS perform weekly reviews of Marketplace transaction reports which contain all items posted to the bank for the prior week. Once the review is performed, the reviewer should sign and date the report to document the completion of a timely review.

Management Response: Financial Management staff will print weekly copies of Marketplace transactions and perform an initial review of the reports. The reports will then be given to the budget manager for final review, after which the report will be initialed and dated, indicating the date the report was reviewed. The review of the Marketplace transaction reports will occur at the same time the weekly P-card transaction reports are printed and reviewed each week. Once the monthly Marketplace reconciliation has been completed, the initialed reports for each week will be filed according to recordkeeping guidelines.

Note: *Management has stated that they have completed these actions as of January 6, 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.*

2. Employee Clearance Record Checklists

Of the 10 terminations tested, four employee clearance record checklists were partially completed (i.e., required checkboxes were left blank). Furthermore, the checklist was not completed for one G status (temporary) employee who had system access. Additionally, the responsibility for completing employee clearance record checklists was not included in the job/position description for staff assigned to this function.

PPAPP Memorandum No. 33, *Employee Clearance Record*, states: “An employee transferring from one department to another or leaving County service is required to meet with a person designated by the department head to complete the Employee Clearance Record Checklist.” 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.”

Failure to maintain adequate controls over the process for completing employee clearance record checklists increases the risk of county property not being returned; failure to terminate access to county systems; and unresolved disputes between the county and prior employees, should an issue arise later.

Recommendation: NCS should fully complete and retain employee clearance record checklists for employees transferring to another department or leaving the County service for any reason, and a copy of the signed checklist should be provided to employees upon departure. The responsibility for completing the checklist should be included in the job/position description of the staff who is/are responsible for completing the checklist.

Management Response: Due to the geographically dispersed nature of NCS work locations, all terminating and transferring employees’ supervisors will receive the employee clearance record checklist from the HR Manager for review of accurate and timely completion. The overall responsibility for ensuring the employee clearance record checklist is complete is already included in the HR Manager’s position description. Upon HR unit notification of all terminations and transfers, supervisors will receive written instructions to complete the process. HR unit staff will match each termination and transfer with a completed checklist which will be retained in a separate and secure file for review. A monthly audit will be completed to ensure compliance with the planned actions.

Note: Management has stated that they have completed these actions as of February 13, 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.