



Fairfax County Internal Audit Office

**Department of Information Technology
Business Process Audit
Final Report**

January 2020

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Information Technology. 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:

- In our review we found that the Department of Information Technology did not document their monthly reconciliation of non-purchase orders. While they did document the reconciliation of purchase orders, procurement card and FOCUS Marketplace transactions on a monthly basis, the required reconciliation certification forms were not completed. During the audit, IAO verified that DIT promptly documented the Non-PO reconciliations and completed the reconciliation certification forms, therefore, no follow-up will be performed for this item.
- We noted eight instances in which four employees at DIT did not accurately record leave in accounting for statutory holidays while working a compressed schedule. DIT is now scheduling regular trainings for identified employees who work compressed schedule and will include a statement in their bi-weekly Time & Attendance email reminders on how to code holidays for compressed scheduled employees.
- In our review, we noted eight instances in which a delegate approver approved compensatory time earned without maintaining documented evidence of supervisor approval on file. DIT has implemented a new process for time delegate approval of compensatory time where the manager must send an email prior to the employee earning compensatory time or immediately upon the manager's return to the office.
- We noted exceptions in the receipt documentation for 6 of 20 Marketplace transactions, 5 of 60 procurement card transactions and 18 of 30 Non-PO transactions. DIT will modify the receiving process of all goods ordered through Marketplace, Procurement Card, and Non-PO to ensure that packing lists or invoices are not only signed by the person who receives the delivery, but are also dated, in compliance with County procurement policies.
- For all 60 transaction log entries tested, the transaction log was missing data fields necessary to track when p-cards were checked in after use (i.e., no fields for card sign in dates). During the audit, IAO verified that DIT promptly updated the

transaction log to include the missing data fields, therefore, no follow-up will be performed for this item.

- Employee Clearance Record Checklists were not completed for all the 15 terminated/transferred employees that were selected for testing. During the audit, IAO verified that DIT promptly updated the position description to include the responsibility for completing the Employee Clearance Checklist and provided an updated Employee Clearance Checklist template for use. Further, DIT has designated a member of DIT's HR team to complete the Employee Clearance Checklist and an additional team member to serve as backup.

Scope and Objectives

This audit was performed as part of our fiscal year 2020 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 Department of Information Technology 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 July 1, 2018 through June 30, 2019. For that period, the department's purchases were \$10,100,601 for procurement cards, \$31,308 for FOCUS marketplace, \$73,150,662 for purchase orders, and \$4,307,956 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 Department of Information Technology did not document their monthly reconciliation of non-purchase orders. Additionally, while they did document the reconciliation of purchase orders, procurement card and FOCUS Marketplace transactions on a monthly basis, the required Reconciliation Certification Forms were not completed.

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 reconcilement of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: On a monthly basis, the Department of Information Technology should develop documentation to substantiate that the complete population of 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: DIT agrees with this recommendation and has already implemented monthly reconciliations of Non-PO transactions. Additionally, on a monthly basis, all fiscal Reconciliation Certificate forms are fully executed by the preparer and reviewer. Management has stated that this item was implemented as of August 26, 2019.

Note: During the audit, IAO verified that DIT promptly documented the Non-PO reconciliations and completed the reconciliation certification forms, therefore, no follow-up will be performed for this item.

2. Statutory Holiday Reporting

In a sample of six employees, we noted eight instances in which four employees at DIT did not accurately record or account for statutory holidays while working a compressed schedule. Two employees did not record 3 hours (over three holidays) and two employees did not record 1 hour (on one holiday), resulting in an overstatement of their annual/compensatory leave balances.

PPAPP 13, *Attendance/Absence Reporting for All Employees Except 24-Hour Shift Fire Protection and Law Enforcement Personnel*, requires agencies to comply with Personnel Regulations and with the Fair Labor Standards Act (FLSA) as it applies to local government. The policy states: "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."

Failure to accurately record statutory holiday leave increases the risk of paying an employee for hours for which they did not work due to overstated leave balances.

Recommendation: We recommend DIT require employees working a compressed schedule to comply with the County policy for statutory holiday leave reporting and account for all hours of their scheduled workday that falls on a holiday. In addition, the overstated employee leave balances should be corrected.

Management Response: DIT agrees with the recommendation. DIT is now scheduling regular trainings for identified employees who work compressed schedules. DIT also includes a statement in their bi-weekly Time & Attendance email reminders on how to code holidays for compressed scheduled employees. DIT is currently working with the two (2) sampled employees and DHR Payroll Analyst to correct the holiday entries that resulted in overstatement of their annual/compensatory leave balances. Management anticipates completing this action by January 31, 2020.

3. Approval of Compensatory Time Earned

In our review, we noted several instances in which a delegate HCM time approver approved compensatory time earned without proper supporting documentation. We sampled a single time entry for each of the eight different employees and in all eight instances, our verification noted that the delegate approved the time based on the supervisor's verbal approval and there was no documented evidence of supervisor approval maintained on file.

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 inaccurate time being approved and waste or loss of county funds.

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

Management Response: DIT agrees with this recommendation. DIT has implemented a new process for time delegate approval of compensatory time where the manager must send an email prior to the employee earning compensatory time or immediately upon the managers return to the office to the following address: DITHUMANRESOURCES@Fairfaxcounty.gov. Management stated that this action was implemented as of 12/17/19.

4. Receipt Documentation

We noted the following exceptions when reviewing the receipt of good and services purchased and/or ordered via Procurement Card, Marketplace, Purchase Order and Non-Purchase order:

- Marketplace: 6 of 20 sample transactions maintained on file did not have a signed and dated packing slips for the FOCUS Marketplace purchases.
- Procurement Card: 5 of 60 sample transactions maintained on file did not have a signed and dated invoice or packing slip or other evidence indicating who confirmed receipt of the ordered goods and when it was confirmed.
- Non-Purchase Order- 18 of 30 sample transactions maintained on file did not have a signed and dated packing slip/invoice for goods and services. Nine of the 18 transactions were stamped "Received" and a date was indicated, but there was no indication of who received and/or reviewed the invoice or packing slip.

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. Financial Policy Statement FPS 630, Non-PO Payments, requires that agencies "ensure that all documentation (e.g., vendor invoice,

exception approvals from the County Purchasing Agent (if warranted), etc.), are prepared, reviewed, and approved by the department prior to forwarding to DOF for processing and posting." The packing slip should be signed and dated to document proper receipt of goods.

Recommendation: The Department of Information Technology should ensure that sufficient receipt documentation is maintained on file for all procurement card, FOCUS Marketplace PO and Non-PO 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.

Management Response: DIT will modify the receiving process of all goods ordered through Marketplace, Procurement Card, and Non-PO to ensure that packing lists or invoices are not only signed by the person who receives the delivery, but are also dated, in compliance with County procurement policies. Management anticipates completing this action by March 31, 2020.

5. Weaknesses in P-Card Tracking

For all 60 transaction log entries tested, the transaction log was missing data fields necessary to track when p-cards were checked in after use (i.e., no fields for card sign in dates).

The department also maintained a "Purchase Request Form", which served as a compensatory control in the event of errors or irregularities related to a transaction. However, the form did not record p-card sign in/out information concurrently as a transaction occurred to facilitate accountability for a p-card while checked out.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, states: "the department shall maintain a log that records purchase 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." If possession of the P-Card is not accurately tracked, there is an increased risk of not identifying fraudulent transactions in a timely manner. Additionally, accountability is reduced in the event a card is lost or inappropriate charges are placed on the card when it is checked out.

Recommendation: We recommend The Department of Information Technology (DIT) maintain a log that records purchases as they occur and track who is in possession of the p-card(s). The department may use the example in PTB 12-1009, Attachment D, as a guide when developing a p-card transaction log. DIT should ensure that the log contains all the elements as shown in Attachment D.

Note: During the audit, IAO verified that DIT promptly updated the transaction log to include the missing data fields, therefore, no follow-up will be performed for this item.

6. Employee Clearance Record Checklists

Employee Clearance Record Checklists were not completed for all 15 terminated/transferred employees that were selected for testing. According to the Department of Information Technology, procedures were being completed upon an employee's departure, however the procedures were not documented. 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." 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 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 Department of Information Technology 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: DIT agrees with this recommendation. DIT has designated a member of DIT's HR team to complete the Employee Clearance Checklist and an additional team member to serve as backup. Immediate action was taken by DIT to ensure 100 percent compliance with Memorandum #33 and they have completed Employee Clearance Checklists for all 10 employees who have separated since this was identified in September 2019 and will continue to do so. Management has stated that this item was implemented as of September 1, 2019.

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