



Fairfax County Internal Audit Office

**Fairfax County Park Authority
Business Process Audit
Final Report**

September 2020

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Fairfax County Park Authority. The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase order payments, 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 compliance and controls will be strengthened by FCPA as a result of the audit:

- In our review we noted that two of the three monthly FOCUS reconciliations for the selected period reviewed were not completed in a timely manner. FCPA has stated that AP will complete all monthly reconciliations no later than the last day of the following month. All reconciliations have been completed timely since positions were filled in June/July 2020 and will continue going forward.
- We noted exceptions in the receipt documentation for 19 of 60 procurement card transactions and 3 of 25 marketplace transactions tested. FCPA has since sent communication to all sites to make sure to sign and date all packing slips as well as indicate receipt of goods if only an invoice is included. FCPA will work to ensure that an individual other than the purchaser/approver receives the goods when feasibly possible due to low number of staff at certain sites.
- Our review noted three instances in which split purchase transactions were made using purchase orders. FCPA has highlighted PM 12-09 to Purchasing Personnel, Site Managers, and Site Staffs and instructed them to review the policy along with instructions to thoroughly review each future Purchase Request before authorizing it to avoid the same incidents in the future.
- In our review we noted exceptions in the documentation for seven of 30 employee clearance record checklists tested. During the audit, IAO verified that FCPA 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. Furthermore, FCPA created a new HR practice to require site managers to complete ECRC forms for all employees who are temporarily removed from work schedule, and implement a new process requiring payroll clerks to create and sign an ECR form for employees who leave without completing this requirement. Finally, recognizing that PPAPP guidance is complex and comprehensive, they have established new training and audit procedures.

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- Our audit noted that four travel expense vouchers were missing documentation supporting the mileage detail, one reimbursement for parking was not supported by a parking receipt, and one instance where the hotel exceeded the GSA Rate by \$71 without proper approval. FCPA will now require map backup and/or full addresses to allow secondary verification will be provided going forward. When lodging cost exceeds the approved GSA rate FCPA will ensure separate documentation of prior approval by the department head in lieu of signed approval of the Deputy Director directly on the Training and Travel application prior to travel. FCPA Training Form will be updated to include a box to check if the rates exceed GSA amounts to prompt director review and approval.
- We noted that credit checks for four individuals listed on the Positions of Trust list were outdated. During the audit, IAO verified that FCPA promptly updated credit checks, therefore, no follow-up will be performed for this item.
- A credit limit analysis performed on all FCPA procurement cards noted that 102 cards had a low or minimal usage in comparison to the available limits on the cards. During the audit period 33 of the procurement cards were closed; however, 69 of the cards remained active. FCPA has emphasized PTB 12-1009 to purchasing personnel, site managers, and site staff and instructed them to review the policy along with instructions as to how to conduct analysis of P-card usage and card limits to reduce limits with high unused balance and close out inactive P-Cards.
- Our audit noted a control weakness in FCPA's time entry and approval process. Over a one-year period, we noted 224-time entries that were initiated and approved by the same individual. Park Authority HR will continue regular pay period T&A audits. FCPA has created an automated tool to identify situations where the same employee entered and approved time, which can be used by the payroll clerks during their pay period audits.
- We noted one instance where a technical review item (a license subscription for \$99.99) was purchased through the p-card, without documented evidence of technical review prior to the purchase of the item. FCPA has highlighted PTB 12-1010 to purchasing personnel, site managers, and site staff and emphasized the importance of reviewing the policy along with instructions to carefully review each future purchase request before authorizing it to avoid the same incidents in the future. All tech items will be advised to be purchased via PO or require written pre-approval for urgent request transactions purchased by P-Card.

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 Park Authority 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 December 2019, through November 2020. For that period, the department's purchases were \$4,161,780 for procurement cards, \$116,986 for FOCUS marketplace, \$15,305,335 for purchase orders, and \$7,923,100 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. FOCUS Reconciliations

Two of the three monthly FOCUS reconciliations for the selected period reviewed were not completed in a timely manner. For instance, the October 2019 reconciliation was completed in December 2019 and the November 2019 reconciliation was performed in March 2020.

Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, requires all departments and agencies to perform monthly reconciliations on a timely basis (no later than the last day of the following month) at the transaction level. These reconciliations are to be carried out in accordance with the department's reconciliation plan that has been approved by the Department of Finance (DOF).

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges going undetected. Additionally, the reconciliation provides a means of ensuring that all charges and credits are cleared to the proper expenditure account at least monthly.

Recommendation: We recommend the Park Authority complete the FOCUS monthly reconciliations no later than the last day of the following month.

Management Response: Delay in monthly reconciliation was due to staff turnover and training periods. Going forward, AP will complete all monthly reconciliations no later than the last day of the following month. All reconciliations have been completed timely since positions were filled in June/July 2020 and will continue going forward.

Note: Management has stated this action was implemented as of August 18, 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. Receipt Documentation

We noted the following exceptions when reviewing the receipt of goods and services purchased and/or ordered via Procurement Card, and Marketplace.

- Procurement Card: 19 out of 60 sample transactions maintained on file did not have a signed and dated invoice, packing slip or other evidence indicating who confirmed receipt of the online ordered goods/services and when it was confirmed.
- Marketplace: 3 out of 25 sample transactions maintained on file had signed packing slips, but there was no date indicating when the items were confirmed.

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 Fairfax County Park Authority 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.

Management Response: FCPA has since sent communication to all sites to make sure to sign and date all packing slips as well as indicate receipt of goods if only an invoice is included. FCPA will work to ensure that an individual other than the purchaser/approver receives the goods when feasibly possible due to low number of staff at certain sites. Management anticipates completing this action by December 31, 2020.

3. Split Purchases

Our review noted three instances in which split purchase transactions were made using purchase orders. All three instances, when combined, were greater than \$10,000. The split purchases using purchase orders were for related goods and services from the same vendor.

Vendor	Date	Description	Occurrences	Total Amount
Growth Enhancer Inc.	07/01/19	Foliar Fertilizers	2	\$9,726
Lee Hartman & Sons Inc	11/05/19 11/12/19	Audio Visual Hardware	3	\$6,484
Roberts Oxygen CO Inc	07/01/19	Carbon Dioxide	3	\$14,000

Procedural Memorandum 12-09, *Delegated Purchasing Procedures for Orders under \$10,000*, notes that split purchases are created to circumvent the delegated purchasing dollar threshold. Requirements which are divided for other purposes, such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases. Furthermore, Procedural Memorandum 12-09, *Delegated Purchasing Procedures for Orders Under \$10,000*, states “Delegated purchasing authority is limited to the procurement of goods and/or services with a value of \$10,000 or less.” Additionally, PM 12-09 notes that “Delegated purchasing authority is not to be used for procuring goods/services that require executing of agreements (e.g., maintenance, licenses, lease or insurance certifications, etc.) which obligate the County for more than \$10,000.”

Recommendation: FCPA should utilize proper purchasing methods in accordance with county policy. When exceptions to policy are made, they should be clearly documented and approved.

Management Response: FCPA has highlighted PTB 12-09 to Purchasing Personnel, Site Managers, and Site Staffs and instructed them to review the policy along with instructions to thoroughly review each future Purchase Request before authorizing it to avoid the same incidents in the future. Management anticipates completing this action by December 31, 2020.

4. Employee Clearance Record Checklists

We noted the following exceptions when reviewing the Employee Clearance Record Checklists:

- a. Seven of the 30 checklists tested were not signed and dated by the employee that was terminated or transferred.
- b. 2 out of 30 checklists tested were not completed timely; they were completed after the employees' last day of work.
- c. 3 out of 30 checklists were not signed by the interviewer, therefore timeliness could not be determined.
- d. Responsibilities for completing the 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: The Park Authority 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: Park Authority HR is working on the following actions: Designing and distributing a new form that the employee must sign. The ECR Checklist has been added to the job description of payroll/recruiting staff to address that audit item. FCPA created a new HR practice to require site managers to complete ECR forms for all employees who temporarily are removed from work schedule, and implement a new process requiring payroll clerks to create and sign an ECR form for employees who leave without completing this requirement. Finally, recognizing that PPAPP guidance is complex and comprehensive, establish new training and audit procedures. Management anticipates completing this action by December 31, 2020.

Note: During the audit, IAO verified that FCPA 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.

5. Inadequate Travel Supporting Documentation

We noted the following instances that lacked sufficient supporting documentation for travel reimbursements:

- a. Four travel expense vouchers were missing documentation supporting the mileage detail (i.e. Google Map Routes, or full addresses) for various types of travel.
- b. In one instance the hotel exceeded the GSA Rate by \$71 without proper approval.

Per PM No. 06-03, *Fairfax County Travel Policies and Procedures* Receipts for travel reimbursable expenses (i.e., tolls, hotels, etc.) are required and must be submitted with either a local voucher or travel expense voucher (depending if it was local or non-local travel). In addition, PM 06-03 also provides guidance that “Travelers are required to receive advance authorization to exceed the federal lodging per diem rate limits. The department head may provide such authorization for amounts up to 150 percent of the federal rate limit. Such exceptions may be authorized only when circumstances warrant it, and an explanation of the circumstances justifying the exception, signed by the department head, must be attached to the voucher.” Furthermore, *DOFs’ Travel Tips and Reminders* (published on their website), states that supporting map detail as back-up documentation should be maintained. Finally, an element of a good and mature internal control environment is to have sufficient supporting documentation for an independent third party to be able to determine where and why the employee traveled, and if the correct travel expense was reimbursed.

Failure to obtain approval for lodging in excess of the GSA rate 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. Not abiding by the County travel policy, DOF’s Travel Tips and Reminders, and having sufficient supporting documentation increases the risk of unauthorized travel, fraud, or waste of county funds.

Recommendation: We recommend that the Park Authority reinforce and implement the PM 06-03, *Fairfax County Travel Policies and Procedures* along with the *DOF Travel Tips and Reminders* with staff. If lodging in excess of the GSA rate is necessary, documentation of prior approval by the department head must be kept on file with the supporting documentation for the transaction.

Management Response: Previously, the travel reimbursement was reviewed prior and signed by site supervisors who went over with the traveler their routes and verify the information was correct. Map backup and/or full addresses to allow secondary verification will be provided going forward. When lodging cost exceeds the approved GSA rate FCPA will ensure separate documentation of prior approval by the department head in lieu of signed approval of the Deputy Director directly on the Training and Travel application prior to travel. FCPA Training Form will be updated to include a box to check if the rates exceed GSA amounts to prompt Director review and approval. Management anticipates completing this action by December 31, 2020.

6. Credit Checks

Credit checks for four individuals listed on the positions of trust list were no obtained in a timely manner. During the audit, three of the four credit checks were performed.

PPAPP Memorandum No. 56, 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."

Not obtaining credit checks in a timely manner for those in positions of trust (i.e., those with fiduciary responsibility) increases the risk of potential for abuse or fraud.

Recommendation: FCPA should obtain credit checks in a timely manner for all individuals on the Positions of Trust list. Credit checks should be completed upon initial hire, promotion, transfer, or demotion to a position of trust and renewed every 4 years while a person holds a position of trust.

Management Response: FCPA implemented a process to ensure that credit checks are completed every four (4) years for required positions. Recognizing that PPAPP guidance is complex, develop new training and audit procedures to ensure continual improvement.

Note: *During the audit, IAO verified that FCPA promptly updated credit checks, therefore, no follow-up will be performed for this item.*

7. Procurement Card Limits and Use

A credit limit analysis performed on all FCPA procurement cards noted that 102 cards had a low or minimal usage in comparison to the available limits on the cards. For example, several of the cards had credit limits of \$10,000, with an average monthly spending of less than \$500 or less. During the audit period 33 of the procurement cards were closed, however, 69 of the cards remained active.

PTB 12-1009, *Use of the County Procurement Card*, states: "P-Card limits provide an important safeguard against fraud and misuse. It is important that p-card limits be set as close as possible to anticipated use."

Failure to set card limits at reasonable levels increases risk of fraud and misuse of the county procurement card.

Recommendation: We recommend FCPA review card usage and card limits and reduce limits that are well in excess of card usage. We also recommend that unused accounts be closed.

Management Response: FCPA has emphasized PTB 12-1009 to Purchasing Personnel, Site Managers, and Site Staffs and instructed them to review the policy along with instructions as to how to conduct analysis of P-card usage and card limits to reduce limits with high unused balance and close out inactive P-Cards. Management anticipates completing this action by December 31, 2020.

8. Time Entry & Approval Separation of Duties

Our audit noted a control weakness in FCPA's time entry and approval process. Over a one-year period, we noted 224-time entries that were initiated and approved by the same individual. These instances involved 20 different approvers and 52 different employees.

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

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

Management Response: Park Authority HR will continue regular pay period T&A audits. FCPA has created an automated tool to identify situations where the same employee entered and approved time, which can be used by the payroll clerks during their pay period audits. Recognizing that PPAPP guidance is complex, FCPA will develop new training and audit procedures to ensure continual improvement. Management anticipates completing this action by December 31, 2020.

9. Technical Review

We noted one instance where a technical review item, an Adobe subscription - \$99.99, was purchased through the p-card, without documented evidence of technical review prior to the purchase of the item. Adobe is a software downloaded to computer systems that allows users to scan, edit, share, and sign documents.

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 FCPA 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: FCPA has highlighted PTB 12-1010 to purchasing personnel, site managers, and site staffs and emphasized the importance of reviewing the policy along with instructions to carefully review each future Purchase Request before authorizing it to avoid the same incidents in the future. All tech items will be advised to be purchased via PO or require written pre-approval for urgent request transactions purchased by P-Card. Management anticipates completing this action by December 31, 2020.