



Fairfax County Internal Audit Office

**Department of Code Compliance
Business Process Audit
Final Report**

June 2020

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Code Compliance (DCC). 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 exceptions where compliance and controls needed to be strengthened:

- A credit limit analysis performed on all DCC procurement cards noted that two cards had low or minimal usage in comparison to the available limits on the cards. Additionally, a Voyager Vehicle Services Card managed by DVS had extremely low usage. DCC reduced limits on the two procurement cards and opted to take no action on the Voyager card.
- We noted that 29 of 30 P-Card transactions tested were not included on the department's transaction log. DCC has begun logging all P-Card transactions as of March 1, 2020.
- For 11 out of 30 P-Card items, 3 out of 10 FOCUS Marketplace items, and all of the 7 Purchase Order transactions tested, packing slips were either not retained or not signed and dated by the employee receiving the shipment. DCC has implemented a policy to ensure that all goods receipts are signed and dated upon receipt.
- In our review, we found that the Department of Code Compliance did not document their monthly reconciliations of P-Card, Marketplace, PO, or Non-PO transactions. DCC has begun using the Reconciliation Certification Form and documenting monthly reconciliations as of February 2020.
- DCC did not have a completed Billing and Collection Plan and a Departmental Operating Procedures Form as required by County policy. DCC will complete a Billing and Collection Plan (FPS) 436 and have it reviewed and approved by DOF. The Departmental Operating Procedures Form (FPS) 470 has been completed as of May 21, 2020 and is being maintained on file.
- One purchase order was created and approved *after* receipt of the invoice. DCC will ensure that any PO requests are processed and approved through Focus before the invoice is received.

- In seven instances, Employee Clearance Record Checklists were either not retained or not filled out completely. DCC will complete an Employee Clearance Record Checklist form for all departing employees, including temporary employees. DCC management will ensure that the checklists are properly filled out, including either a check mark or “N/A” mark in all boxes on the checklists.
- An employee listed as an assistant director on DCC’s signature authorization form had not received a credit check and was not reflected on the department’s Positions of Trust List. A credit check has been requested for the assistant director and DCC’s Positions of Trust List has been updated as of May 31, 2020.

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 DCC’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 December 2018, through November 2019. For that period, the department’s purchases were \$89,818 for procurement cards, \$10,625 for FOCUS marketplace, \$26,889 for purchase orders, and \$2,972 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. Procurement Card Limits

A credit limit analysis performed on all DCC procurement cards noted that two cards had low or minimal usage in comparison to the available limits on the cards. Additionally, a Voyager Vehicle Services Card managed by DVS had extremely low usage. The highest percentage usage on the DCC 1 card was 29% of the \$20,000 limit, and the highest percentage usage on the DCC 2 card was 10% of the \$10,000 limit. The Voyager Card was charged for a total of \$56 during the audit period.

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 DCC to consider reducing the limits on the two cards with low usage. Additionally, we recommend for DCC management to discuss the Voyager Vehicle Services Card with the Department of Vehicle Services and determine if there are alternatives to using a permanent Voyager card.

Note: During the audit, DCC reduced the limits on the DCC 1 card from \$20,000 to \$10,000 and the limits on the DCC 2 card from \$10,000 to \$5,000. DCC has opted to maintain the Department of Vehicle Services Card, as the opinion of DCC management is that the limit on the card is low enough that the benefits of card availability outweigh the risks. No follow-up will be necessary for this item.

2. Procurement Card Log

The procurement card transaction log was not a complete reflection of the department's procurement card spending. We noted that 29 of 30 transactions tested were completely omitted from the transaction log. As a result, we were unable to determine the p-card user in seven instances, and therefore, were unable to determine if the p-card user had an EAD on file.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, states: "the department shall maintain a log that records purchases 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 transactions are not accurately tracked, the risk of not identifying fraudulent transactions in a timely manner is increased. 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 DCC maintain a log that records purchases as they occur and track who is in possession of the p-card. The department may use the example in PTB 12-1009, Attachment D, as a guide when developing a p-card transaction log. DCC should ensure that the log contains all the elements as shown in Attachment D.

Management Response: Vanessa Portillo is the card custodian for Code Compliance and performs most of the transactions. Since the card did not leave her desk, she did not routinely sign the transaction logs. Since the end of March, she has completed the transaction logs every time a purchase is made.

Note: IAO obtained the March transaction log and noted that all transactions included on the J. P. Morgan PaymentNet statements were included on the March transaction log. No follow up will be necessary for this item.

3. Receipt Documentation

For 11 out of 30 P-Card items, 3 out of 10 FOCUS Marketplace items, and all of the 7 Purchase Order transactions tested, packing slips were either not retained or not signed and dated by the employee receiving the shipment.

Procedural Memorandum (PM) 12-16, *On-Line Procurement of Office Supplies*, requires that 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 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: We recommend DCC ensure that receipt of all ordered goods and services is adequately documented in a timely manner. 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 the receiver's signature (or initials) and date. All receiving documentation should be maintained on file with the supporting documentation for the transaction.

Management Response: All transactions received with a packing slip are signed, dated, and provided to Vanessa Portillo for maintaining documentation.

Transactions that do not receive packing slips are now electronically signed and dated on the invoice by the receiver and maintained for documentation. All invoices are received by Vanessa Portillo.

Note: Based on subsequent transactions examined, DCC resolved this finding over the course of the audit. Packing slips or invoices are signed by Vanessa Portillo upon receipt of ordered goods. No follow-up will be necessary for this item.

4. Monthly Reconciliations

In our review, we found that the Department of Code Compliance did not document their monthly reconciliations of P-Card, Marketplace, PO, or Non-PO transactions. While there was evidence of weekly reviews of transactions, 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 reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: DCC should complete the Reconciliation Certification Form when performing reconciliations, and, maintain all backup documentation and required reconciling reports with the Reconciliation Certification Form.

Note: During the audit, DCC prepared a completed reconciliation package for February 2020, which included a properly completed Reconciliation Certification Form. No follow-up will be necessary for this item.

5. Processing Monetary Receipts

DCC collects payments through an online payment gateway for billings related to the department's Illegal Signs in the Right of Way program. DCC collected approximately \$20,000 during the audit period.

In our review, we noted the following issues related to the processing of monetary receipts:

- DCC did not have an approved Billing and Collection Plan on file that complied with Financial Policy Statement (FPS) 436.
- The Departmental Operating Procedures Form required by FPS 470 Processing Monetary Receipts was not completed.

Recommendation: DCC should complete a Billing and Collection Plan and have it approved as stipulated in FPS 436. In addition, the department should complete the Departmental Operating Procedures Form and maintain it on file for DOF or audit review.

Management Response: DCC will complete a Billing and Collection Plan (FPS) 436 and have it reviewed and approved by DOF. DCC expects the plan to be reviewed and approved by August 1, 2020. The Departmental Operating Procedures Form (FPS) 470 has been completed as of May 21, 2020 and is being maintained on file.

Note: IAO will follow up on this item after August 2020.

6. Purchase Order Created After Receipt of Invoice

In our review, we noted one purchase order that was created and approved after receipt of the invoice. A purchase of fleet management services for approximately \$18,000 was invoiced to DCC on November 1, 2019. The shopping cart date for the Purchase Order was November 11, 2019. This purchase was made under a multi-year countywide contract.

Agencies are required to create and approve a purchase order in FOCUS *prior* to placing an order with a vendor. If an agency fails to process a purchase through a purchase order, they 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 should anything go wrong.

Recommendation: DCC 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, DCC should comply with the remediation provisions of PTB 12-1007.

Management Response: The Department of Code Compliance usually processes only one Purchase Order per year in November which is for the (LYTX) DriveCam Program. DCC will ensure that any PO requests are processed and approved through Focus before the invoice is received unless there is some reason why this is not possible. Management anticipates completing this action by November 30, 2020.

7. Employee Clearance Record Checklists

We noted the following exceptions related to Employee Clearance Record Checklists:

- In two instances, Employee Clearance Record Checklists for full-time, permanent employees were not retained after the employee's departure from the department.
- In one instance, an Employee Clearance Checklist for a temporary employee was not completed when the employee departed. An email chain in which the employee was told where and when to return their items was retained. However, no confirmation that the items were returned was retained.
- In two instances, DCC utilized an internal "Investigator's Property List" to check in items returned by exiting employees. While these checklists listed out whether items were returned, they did not include all requirements from the standard Employee Clearance Record Checklist, such as revocation of systems access, employee and interviewer signatures, and other items.
- In two instances, an Employee Clearance Record Checklist was maintained on file, but was not filled out completely. In both instances, boxes on the checklist were not checked or marked N/A. In one instance, the checklist was not signed by the interviewer.

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."

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: We recommend that DCC complete an Employee Clearance Record Checklist for all departing employees, including temporary employees. DCC management should ensure that the checklists are properly filled out, including either a check mark or "N/A" mark in all boxes on the checklists. Checklists should be signed by both the exiting employee and the interviewer. In the case where an exit interview is not possible, a checklist should still be filled out, and a note should be filed explaining the reason for the exit interview not being possible.

In the case that DCC wishes to use their own clearance checklist in place of the standard county Employee Clearance Record Checklist, DCC should ensure that the departmental clearance checklist includes all of the elements of the standard Employee Clearance Record Checklist.

Management Response: To simplify the process, DCC will complete an Employee Clearance Record Checklist form for all departing employees, including temporary employees. DCC management will ensure that the checklists are properly filled out, including either a check mark or "N/A" mark in all boxes on the checklists. Checklists will be signed by both the exiting employee and the interviewer. In the case where an exit interview is not possible, a checklist will still be filled out with a note explaining the

reason for the exit interview not being possible. Management anticipates completing this action by June 30, 2020.

8. Credit Checks for Positions of Trust

An employee listed as an assistant director on DCC's signature authorization form had not received a credit check and was not reflected on the department's Positions of Trust List.

According to the *Personnel/Payroll Administration Policies and Procedures* (PPAPP) Memorandum No. 56, Credit Check Requirements for Positions of Trust, "Employees who occupy positions of trust are subject to a credit check. Credit checks will be completed upon initial hire and for promotions, transfers, or demotions to a position of trust and every four years thereafter. Positions of trust include all Director, Deputy/Assistant Director and Division Director Positions as well as positions identified by the department director as having significant fiscal or information security responsibility."

Additionally, this PPAPP requires that the department director or designee complete the Positions of Trust Delineation Form (Attachment A) to delineate the positions in the department designated as positions of trust subject to the credit check requirement and retain in the department files.

Lack of a list of Positions of Trust prevents the department from performing required credit check on employees who occupy positions of trust. It also increases the potential for abuse or fraud by staff who have access to sensitive/confidential financial information.

Recommendation: The department should ensure that the Position of Trust Delineation Form has been completed, is up to date, and is on file in both the department's files and with DHR. DCC should ensure that credit checks are being performed on employees who occupy positions of trust.

Management Response: The Assistant Director does not have a fiscal role within the organization. With that said, DCC will comply with (PPAPP) Memorandum No. 56, Credit Check Requirements for Positions of Trust, and will have credit check completed. DCC will also continue to maintain the Position of Trust Delineation Form and update accordingly.

Note: DCC submitted a credit check request to HR on May 21, 2020 for the assistant director. Additionally, DCC provided IAO with an updated Positions of Trust list. No follow up is necessary for this item.