



Fairfax County Internal Audit Office

**Department of Finance
Business Process Audit
Final Report**

December 2020

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Department of Finance. 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 DOF as a result of the audit:

- In our review we noted exceptions in the receipt documentation of two of 35 procurement card transactions. DOF has created a central repository for all receipt documentation (packing slip, invoice, etc.). Individuals receiving the items will sign the documentation, scan the signed copy for record keeping, and save it to a central folder.
- During our transaction testing, we noted one employee who used the procurement card; however, there was no signed Employee Acknowledgment Disclosure (EAD) Form or a completed P-Card Training Certification Test on file for that employee. During the audit, IAO verified that DOF promptly updated the Employee Acknowledgement Disclosure Form, therefore, no follow-up will be performed for this item.
- Our review noted that two out of five employees did not have an Employee Clearance Record Checklist on file. Additionally, the responsibility for completing the Employee Clearance Record Checklists was not included in the job descriptions of the responsible employees. DOF will complete and save an Employee Clearance Checklist for all employees. Additionally, DOF is working on an online application to assist with employee exits that will help ensure the checklist is completed and maintained for record keeping. The HR Generalist position will have the exit interview and completion of the Employee Checklist added to the position description.
- The invoices for two Non-PO sample transactions maintained on file were not paid timely. DOF is in the process of hiring a Management Analyst II position whose duties will include management of Risk Management payments. It will be their responsibility to ensure timely creation of PO's and processing of invoices for payment. Additionally, DOF employees were trained by DOF staff on the new VIM process, with the expectation that invoices are scanned into FOCUS upon receipt and approved in VIM to expedite payment processing.

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 Finance'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 April 1, 2019, through May 31, 2020. For that period, the department's purchases were \$116,886 for procurement cards, \$11,892 for FOCUS marketplace, \$3,554,883 for purchase orders, and \$20,003,329 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. Receipt Documentation

Two of the 35 procurement card 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.

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

Recommendation: The Department of Finance should ensure that sufficient receipt documentation is maintained on file for all procurement card 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: DOF has created a central repository for all receipt documentation (packing slip, invoice, etc.). Individuals receiving the items will sign the documentation, scan the signed copy for record keeping, and save it to a central folder.

Note: *Management has stated this action was implemented as of November 30, 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 Acknowledgement Disclosure Forms

We noted one employee who used the procurement card without a signed Employee Acknowledgment Disclosure (EAD) Form or a completed P-Card Training Certification Test on file for that employee. The employee was authorized to be a p-card user prior to 2007 when the on-line p-card training program was implemented.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, requires that all first-time card users sign and date an EAD Form. A p-card user who signed an EAD form prior to implementation of the on-line p-card training program in 2007 is exempt from the p-card training. However, DPMM highly recommends it as it ensures awareness of p-card user requirements. 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.

When staff do not complete EAD forms and training, it increases the risk of misuse of the agency procurement cards.

Recommendation: The Department of Finance should ensure that each employee using a procurement card sign and date an EAD form, complete the training, and retain the forms on file.

Management Response: The employee has signed the Employee Acknowledgement form and it is now on file.

Note: During the audit, IAO verified that DOF promptly updated the Employee Acknowledgement Disclosure Form, therefore, no follow-up will be performed for this item.

3. Employee Clearance Record Checklists

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

- a. Two out of four checklists were not completed for employees that were terminated/transferred.
- b. 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." Furthermore, per PPAPP Memorandum No. 33, "If an employee leaves with no notice, preventing the department from completing the Employee Clearance Record Checklists as outlined in section 4B of this memorandum, the department shall document this in their records and complete the pertinent security control tasks listed in this document."

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 unauthorized access to County systems; and disputes between the County and prior employees, should an issue arise later.

Recommendation: The Department of Finance 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: DOF will complete and save an Employee Clearance Checklist for all employees. Additionally, DOF is working on an online application to assist with employee exits that will help ensure the checklist is completed and maintained for record keeping. The HR Generalist position will have the exit interview and completion of the Employee Checklist added to the position description. Management anticipates completing this action by December 31, 2020.

4. Non-PO Invoice Payment

The invoices for two sample transactions maintained on file were not paid timely. DOF did not have adequate documentation of the reason for the payment that was not paid within 30 days of the invoice. One invoice for \$25 was dated 01/14/19 and was paid on 03/05/20. The second invoice for \$43,631 was dated 06/28/19 and was paid on 08/07/19.

Failure to pay invoices timely could result in the county not taking advantage of payment discounts. It also increases the risk that additional fees could be assessed.

Recommendation: We recommend that DOF ensures that all invoices are paid within 30 days of the invoice unless there is sufficient justification for not doing so.

Management Response: DOF is in the process of hiring a Management Analyst II position whose duties will include management of Risk Management payments. It will be their responsibility to ensure timely creation of PO's and processing of invoices for payment. Additionally, DOF employees were trained by DOF staff on the new VIM process, with the expectation that invoices are scanned into FOCUS upon receipt and approved in VIM to expedite payment processing. Management anticipates completing this action by March 1, 2021.