



Fairfax County Internal Audit Office

**Juvenile & Domestic Relations District Court
Business Process Audit
Final Report**

March 2021

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Juvenile & Domestic Relations District Court (JDRDC). 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 compliance and controls will be strengthened by JDRDC as a result of this audit:

- JDRDC did not have a completed Billing and Collection Plan approved by DTA Non-Tax Collections, as required by County policy. JDRDC will write a policy that comports with FPS 436 and submit it to the Department of Tax Administration for approval.
- JDRDC's procurement card transaction logs were not a complete reflection of the department's procurement card spending. We noted that 20 of 50 transactions tested were omitted from the department's transaction logs. Starting in July 2020, the JDRDC created new logs for the admin card and the two travel cards.
- For 15 out of 50 p-card transactions and 9 out of 15 marketplace transactions, weekly transaction reports were not reviewed within five business days. Additionally, the weekly transaction reports for three p-card transactions were signed by the reviewer, but not dated. JDRDC will change internal procedures to ensure that marketplace reports and p-card transaction reports are signed off within five business days.
- While evidence existed that employee non-local travel was pre-approved by supervisors, we noted 14 Travel Authorization Forms were completed *after* the employees returned from travel which circumvents the encumbrance of the travel funds needed prior to travel. The JDRDC Financial Office will work to enforce both external County travel policy as well as internal JDRDC travel policy (last published in August 2020) which state that Travel Authorization forms must be submitted at least five business days prior to the start of a travel event.
- In two instances, Employee Clearance Record Checklists were not filled out completely. The JDRDC HR team will ensure that forms are adequately filled out and signed by the exiting employee and interviewer.

- There were 309 instances where employee time entry was initiated and approved by the same individual. These instances involved 25 different approvers. The JDRDC HR Manager will provide guidance to JDRDC Senior Management and all staff in supervisory positions that time entries and approvals cannot be completed by the same person.

Scope and Objectives

This audit was performed as part of our fiscal year 2021 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 OPA'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 August 2019 through July 2020. For that period, the department's purchases were \$551,934 for procurement cards, \$65,421 for FOCUS marketplace, \$2,329,546 for purchase orders, and \$147,683 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. Processing Monetary Receipts

JDRDC collects fees related to the Supervised Visitation and Exchange Program, Stepping Stones (formerly Boys Probation House), Foundations, the BETA Program, the ASAP program, and grants from the state. In FY 2020, JDRDC revenues were approximately \$6.8 million. Of this amount, \$5.1 million is received from state grants and reimbursements, \$800K is collected through the ASAP program, \$700K is transferred to ASAP from the county General Fund, and \$200K is received via direct payments to JDRDC.

In our review, we noted that JDRDC did not have a DTA approved Billing and Collection Plan on file that complied with Financial Policy Statement (FPS) 436.

Having an approved Billing and Collection plan decreases the risk of having billing procedures that are not compliant with the county's requirements; supports the county's goal of achieving timely collection of all revenues; and decreases the risk of fraud or errors.

Recommendation: JDRDC should complete a Billing and Collection Plan and have it approved as stipulated in FPS 436. This plan should be submitted to DTA Non-Tax Collections for approval.

Management Response: JDRDC will write a policy that comports with FPS 436 and submit it to the Department of Tax Administration for approval. JDRDC will also work with unit directors whose units are responsible for the collection of revenue from clients to ensure that their revenue collection practices are in alignment with the approved policy. JDRDC expects to have an approved Billing and Collection Plan by June 1, 2021.

2. Procurement Card Log

The procurement card transaction log was not a complete reflection of the department's procurement card spending. We noted that 20 of 50 transactions tested were omitted from the department's transaction logs.

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 JDRDC ensure that p-card transactions are logged on the department's logs for all p-cards as transactions occur.

Management Response: 19 of the 20 transactions cited in this section surround four p-cards which are the Admin p-card, the travel p-card, the travel 2 p-card, and the food card. Starting in July 2020, the JDRDC created new logs for the admin card and the two travel cards. These logs are available for staff to sign when they are given the p-card by the admin p-card custodian. For the food p-card for the JDRDC's Foundations, Juvenile Detention Center, and Stepping Stones (Boys Probation House), a p-card log was created to log these transactions. This started in January

2020. Evidence of this start can be seen in example 20 sent over to Internal Audit as part of this audit. All units who have p-cards will be reminded by Financial Office staff listed in the ‘responsible personnel’ field of this audit finding section that logs and receipts need to be submitted to the Financial Office weekly.

Note: Management has stated this action was implemented as of March 5, 2021. 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.

3. Weekly Transaction Review

For 15 out of 50 p-card transactions and 9 of 15 marketplace transactions, weekly transaction reports were not reviewed within five business days. Reviews of the weekly transaction reports ranged from a few days to approximately two months late. Additionally, the weekly transaction reports for three p-card transactions were signed by the reviewer, but not dated.

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 verify that the review was performed in a timely manner.

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

Recommendation: We recommend that JDRDC perform weekly reviews of procurement card 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: JDRDC will change internal procedures to ensure that marketplace reports and p-card transaction reports are signed off within 5 business days instead of the current practice of signing off on reports once all documentation is received to substantiate the charges on the Payment Net report. To facilitate this, JDRDC will begin to utilize DocuSign to ensure that reports are signed off within timeframes established by County guidelines even with increased usage of telework Countywide. P-card custodians and JDRDC Financial Office staff will be notified of this change and the change will take effect immediately.

Note: Management has stated this action was implemented as of March 5, 2021. 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.

4. Travel Authorizations

While evidence existed that employee non-local travel was pre-approved by supervisors, we noted deficiencies in the timing of completion of Travel Authorization Forms for 14 Non-PO sample transactions. In these cases, Travel Authorization Forms were completed after the employees returned from travel.

Procedural Memorandum (PM) 06-03, *Fairfax County Travel Policies and Procedures*, states: “A completed Travel Authorization Form is required for all non-local and overnight travel including trips where the procurement card is used for any or all expenses.” Additional guidance provided in the Travel Tips and Reminders document on the Department of Finance (DOF) website states: “Before you purchase any tickets or pay for registration you MUST complete a Travel Authorization Form and have department approval. Items purchased without prior approval may not be reimbursed.”

Failure to complete a travel authorization form *prior* to incurring expenses for non-local or overnight travel does not properly encumber the funds needed for the travel event and increases the risk of inappropriate or unauthorized travel expenses and incurring expenses that may not be reimbursed.

Recommendation: JDRDC should ensure a Travel Authorization Form is completed and approved *before* any non-local or overnight travel arrangements are made.

Management Response: The JDRDC Financial Office will work to enforce both external County travel policy as well as internal JDRDC travel policy (last published in August 2020) which state that Travel Authorization forms must be submitted at least five business days prior to the start of a travel event. Notification will be sent out to JDRDC to inform them that if they would like to attend a non-local travel event that the event will need to be approved on the DOF Travel Authorization Form prior to their departure. JDRDC expects to have this implemented once overnight local and non-local travel is approved to resume countywide by the County Executive.

Note: *Management has stated this action will be implemented as soon as non-local travel resumes. 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.*

5. Employee Clearance Record Checklists

We noted in two instances, an Employee Clearance Record Checklist was maintained on file, but was not filled out completely. Boxes on the checklist were not checked or marked N/A. Additionally, the interviewer signed but did not date one of the checklists.

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 JDRDC 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 and dated by both the exiting employee and the interviewer.

Management Response: The JDRDC HR team will coordinate with JDRDC managers to ensure that all supervisors completing Employee Clearance Record Checklists are aware of the expectations to review the entire checklist with employees and check off and/or “N/A” for every item reviewed with the employee. We will advise supervisors that the completed form will need to be signed and dated by both the exiting employee and the interviewer. JDRDC has placed these measures into effect as of March 5, 2021.

Note: Management has stated this action was implemented as of March 5, 2021. 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.

6. Time Entry & Approval Separation of Duties

Our audit noted a control weakness in JDRDC’s time entry and approval process. The audit population included 103,702 time entries for the period August 1, 2019 through July 31, 2021. Of those entries, there were 309 instances where time entries were initiated and approved by the same individual. These instances involved 25 different approvers.

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

Recommendation: JDRDC should implement adequate internal controls to ensure that time is not initiated and approved by the same individual.

Management Response: The JDRDC HR Manager will provide guidance to JDRDC Senior Management and all staff in supervisory positions that time entries and approvals cannot be completed by the same person. The JDRDC HR team will coordinate with JDRDC timekeepers to ensure that any time entries which are entered by an employee’s supervisor are approved by another supervisor in the management chain or the agency’s HR Manager to ensure that time entries and approvals are in compliance with Fairfax County guidelines. JDRDC has placed these measures into effect as of March 5, 2021.

Note: Management has stated this action was implemented as of March 5, 2021. 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.