



Fairfax County Internal Audit Office

**Fairfax County Police Department
Business Process Audit
Final Report**

July 2018

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Fairfax County Police Department (FCPD). 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 found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions had adequate evidence of compliance with county policy. Reconciliations were independently performed and were completed in a timely manner. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Five Employee Acknowledgement Disclosure (EAD) forms were not on file. Also, three other employees' EAD forms did not have either the supervisor's or the program manager's signature.
- Seven p-card and eleven marketplace PaymentNet weekly reports were neither signed nor dated by a reviewer or reviewed timely.
- Packing slips were neither signed nor dated in eight p-card, three marketplace, and one purchase order transaction. Additionally, three p-card and one purchase order transaction did not have packing slips.
- Seven items requiring technical review were purchased on county procurement cards without going through the proper technical review.
- Weaknesses were noted in tracking who was in possession of p-cards when they were checked out for use.

Scope and Objectives

This audit was performed as part of our fiscal year 2018 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 Fairfax County Police Department 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 2016 through July 2017. For that period, the department's purchases were \$2,024,218 for procurement cards, \$272,025 for FOCUS marketplace, \$4,873,763 for purchase orders, and \$2,128,549 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. Employee Acknowledgement Disclosure (EAD) Form

Five of 39 procurement card users did not have procurement card training certification tests and EAD forms on file. Additionally, three other users' EAD forms were not signed by either the program manager or a supervisor.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, requires that all first-time card users sign and date an Employee Acknowledgement Disclosure Form, and must pass the P-Card Certification test prior to using the p-card for the first time. 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.

Recommendation: We recommend FCPD ensure all current and potential p-card users have a completed EAD form and P-Card Training Certification Test on file.

Management Response: Four of the five findings were for travel cards. The Police department distributes travel cards to all groups that are travelling on behalf of the Police department, so not all officers were required to take the test in order to use these cards. The cards are kept with the travel coordinators; signed out and signed in on return from the trip. This process was reviewed at the audit exit meeting and a conclusion was made that all officers that require the use of any travel cards will have

to take the P-Card Certification test prior to using the p-card. Management anticipates the start of this process beginning September 1, 2018.

2. Weekly Procurement and Marketplace Card Transaction Report Review

In our review of 55 procurement card and 20 FOCUS marketplace transactions, we noted that seven p-card and eleven marketplace PaymentNet weekly reports were neither signed nor dated by a reviewer or reviewed timely.

PTB 12-1009 requires that all agencies review weekly transaction reports for unusual or unauthorized transactions.

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

Recommendation: We recommend FCPD perform the weekly reviews of procurement and marketplace card transaction reports which contain all items posted to the bank for the prior week in a timely manner. Once completed, the reviewer should sign and date the report to document the completion of the review.

Management Response: The Police department does conduct weekly reviews of procurement marketplace card transaction reports as evidenced from our stellar record of p-card monthly clearing. For the period that was audited, there was no procurement manager in place for close to a year (the procurement manager was sick for approximately six months, and then there was a process to replace him, which took approximately 6 more months) and procurement manager was handling both the procurement manager's position, as well as, the p-card manager for that duration. While on vacation, there was no backup for both positions; and so no weekly report was pulled; however, once the procurement manager returned from his vacation he expedited the review and reconciliation of the p-card review and the corresponding month showed no outstanding items; the month was reconciled in its entirety; however, no weekly reports were pulled for that week. Going forward the department has the staff in place to correct this action.

Note: Management has stated that they have completed these actions as of this audit report. 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. Receipt Documentation

In our review of 55 p-card, 20 FOCUS marketplace, and 15 PO transactions, we noted eight p-card, three marketplace, and one PO transactions were not supported by a signed and dated packing slip or other evidence indicating who confirmed the receipt of ordered goods and when it was confirmed. In addition, there was no evidence of sufficient alternate receipt documentation for three marketplace and one PO transactions as required by PTB 12-1009.

PTB 12-1009 states: "Department staff shall retain an ORIGINAL, ITEMIZED vendor receipt, invoice, or credit slip for each transaction. Receipts should show all details pertinent to the transaction, including date of purchase, vendor name and location, item(s) purchased with corresponding description(s) and price(s), and total amount paid. The business purpose of the goods or services should be clearly documented if it is not readily apparent (i.e., refreshments for annual vendor forum). All receipt documentation should be filed with the appropriate bank record (monthly statement or weekly transaction detail report) and retained by the department."

Failure to properly document receipt of ordered goods prevents the assurance of an adequate separation of duties and increases the risk of paying for items that were not received. In addition, without receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

Recommendation: We recommend FCPD ensure that the receipt of all ordered goods and services is adequately documented. If a packing slip is not included with the shipment, receipt of the ordered goods should be documented on the invoice with signatures of the person receiving goods. 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: This process was not one that was enforced; however, during the audit and being told of this finding, Financial Resources Division (FRD) emailed all Fairfax County Police Department employees to let them know that it was imperative that all packaging slips be signed. Checks are in place with the p-card manager and the administrative assistant III to review and make sure that once the packages come up to FRD that all packaging slips have signatures or they have to acquire them.

Note: *Since our audit finding, IAO verified that a memo was sent to the Police Department staff indicating all packaging slips must be signed and dated by the receiver. 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. Technical Review

Internal Audit selected 55 procurement card transactions for testing and found seven items were purchased using procurement cards without going through the proper technical review. Six of these items were IT related including Microsoft Windows 10 Pro, memory cards/card reader, hard drives, and Go Pro camcorder cameras. The fifth item was new office furniture.

Procurement Technical Bulletin (PTB) 12-1010, *Technical Review Program*, states that: "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 services requiring technical review may not be purchased using a procurement card.”

The purchase of technical equipment on the county procurement card circumvents the technical review process. Purchasing technical items on the p-card increases the risk of overpayment for goods, purchasing items that are incompatible with the county’s systems or not compliant with the county’s standards, and purchasing from a vendor that does not offer technical support.

Recommendation: We recommend FCPD create purchase orders in FOCUS to procure equipment requiring technical review in accordance with PTB 12-1010 prior to making any purchases of technical equipment. If exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

Management Response: The Police department’s end users believed that since the Police department had its own Information Technology Bureau (ITB) and due to the nature of the Police operations and the need for covert operations, and quick turnaround on purchases of IT items; they utilized the internal ITB staff for technical review of these items. After the County’s Department of Information Technology sent out directives that ALL ITB items needed to be tech reviewed, the Police department has since adhered to this process. However, the audit sample that was pulled fell outside of this compliance period. The Police ITB Director has also sent out a communication to all staff advising that this process be adhered to.

Note: *Management has stated that they have completed these actions as of this audit report. 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. Weaknesses In P-card Tracking

Nine of 17 departmental procurement card transactions did not have p-card transaction logs. FCPD had an electronic p-card transaction log; however, it was not password protected and did not have all information such as sign in/out, business purpose for purchases, etc. IAO could not account for who had checked out certain cards since the log did not have complete information. The department also maintained a “Credit Card Expenditure & Credit Voucher”, which served as a compensatory detective control in the event of errors or irregularities related to a transaction. However, the voucher did not serve as a preventative control as it did not record p-card sign in/out information concurrently as a transaction occurred to facilitate accountability for p-card while checked out.

In addition, IAO noted that the list of p-card custodians was not accurate. For instance, the employee listed as p-card custodian for p-card ending with 0596 was not the custodian for that card. Instead, the employee was the custodian for p-card ending with 6994. Two other employees were no longer p-card custodians but they were still listed.

According to PTB 12-1009, *Use of the County Procurement Card*, “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 possession of the p-card is 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. Since the bank does not offer as much fraud protection for departmental cards as named cards it is imperative to maintain adequate accountability of the possession and usage of the p-cards.

Recommendation: We recommend FCPD maintain a log that records purchases as they occur and track who is in possession of the p-card(s). Additionally, the list of p-card custodians should be kept up to date. The department may use the example in PTB 12-1009, Attachment D, as a guide when developing a p-card transaction log. Also, FCPD should ensure that the log contains all of the elements as shown in Attachment D.

Management Response: This logging system was not in place. The Police department concentrated on making sure that all p-card items were reconciled to the bank reports and cleared monthly. At the audit exit meeting it was decided that the Police department would revoke all departmental cards, this would therefore negate the need for the p-card log in this instance. Management anticipates completing these actions by September 1, 2018.