



# Fairfax County Internal Audit Office

Office of the County Attorney  
Business Process Audit  
Final Report

October 2018

*"promoting efficient & effective local government"*

## Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the Office of the County Attorney (OCA). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, 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, and credit check requirements for positions of trust.

We found that reconciliations were independently performed and were completed in a timely manner. In addition, the department had effective procedures and internal controls in place for the handling of FOCUS Marketplace purchases and transactions had adequate evidence of compliance with county policy. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Six instances were noted in which procurement card transaction logs were either not filled out completely or completed inaccurately.
- Eight transactions made with either a procurement card or purchase order were not properly supported by signed and dated packing slips or other evidence indicating who confirmed the receipt of ordered goods/services and when it was confirmed. Additionally, six transactions were noted in which the authorizer of the non-purchase order payment was also the receiver of goods/services, resulting in inadequate separation of duties.
- Procurement card limits were found to be excessive, based on card usage.
- A Travel Authorization Form was completed *after* the travel date, and a Local Travel Expense Voucher was not signed by an authorized approver. Additionally, in seven instances, adequate backup documentation for mileage claimed was not maintained on file.
- In our review of time entry and approval, we noted twenty-four instances in which there were no documented supervisor approvals.
- Four Employee Clearance Record Checklists were either not completed or only partially completed.
- The department's Positions of Trust List did not include five deputy county attorneys.
- The department did not complete the Department Operating Procedures Form, as required by Financial Policy Statement (FPS) 470.

## Scope and Objectives

This audit was performed as part of our fiscal year 2019 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 OCA'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, and non-purchase order transactions that occurred during the period of June 1, 2017 through May 31, 2018. For that period, the department's purchases were \$71,856 for procurement cards, \$21,247 for FOCUS marketplace, \$310,331 for purchase orders that were received, and \$246,343 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 Transaction Log

In our review, we noted six instances in which the transaction log was either incomplete or not filled in chronological order. The transaction log was either missing the signature, date, or both for the individual signing the card out/in. In one instance, the log indicated that the card was signed out by two individuals at the same time. Additionally, in two instances, the log listed purchases dated *before* the date the card was signed out.

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."

If possession of the procurement card is not accurately tracked, the risk fraudulent

transactions is increased. Additionally, accountability is reduced in the event a card is lost or inappropriate charges are placed on the card.

**Recommendation:** We recommend OCA accurately reflect all procurement card activity on the transaction log, to ensure that card use is properly monitored.

**Management Response:** OCA staff will begin noting on the transaction log when the P-Card custodian is out of the office, and make sure that signing in and out is correctly dated.

**Note:** *Management has stated that they have implemented 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.*

## 2. Receipt Documentation

In our review of purchase orders and online procurement card transactions, we noted eight transactions out of forty 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. Additionally, in our review of non-purchase orders, we noted six transactions out of twenty in which the receipt of goods/services was confirmed by the authorizer of the Payment Request Form, resulting in inadequate separation of duties.

PM 12-09, *Delegated Purchasing Procedures for Orders Under \$10,000*, requires departments to: “verify that items have been received as ordered” and “sign and date the vendor packing slip to indicate proper receipt and to establish acceptance date.”

Not properly documenting 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.

**Recommendation:** We recommend OCA ensure that 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 or a separate receiving report with the receiver’s initials and date. All receiving documentation should be maintained on file with the supporting documentation for the transaction. Additionally, non-purchase orders should be received by staff other than the authorizer of the Payment Request Form.

**Note:** *During the audit, IAO verified that OCA promptly updated its internal “Credit Card Purchases” form to include a checklist for receipt documentation. In addition, IAO obtained a copy of an email sent by OCA directing all employees to review all invoices thoroughly and sign/date the invoice to indicate receipt and authorize payment. No management response is needed for this item. IAO will follow up after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.*

### 3. Procurement Card Limits and Use

A credit limit analysis performed on all three of OCA's procurement cards noted that one of the three procurement cards had no usage during the audit scope. Additionally, one of the three procurement cards had minimal usage compared to the available limit on the card.

PTB 12-1009 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 OCA 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.

**Note:** *During the audit, IAO verified that OCA closed the procurement card that had no usage during the audit scope, and reduced the limit on the procurement card with minimal usage compared to the available limit. OCA was prompt in responding to and following-up on these matters. No follow-up will be performed for this item.*

### 4. Travel Authorizations

In our review, we noted that for one non-local travel reimbursement, the Travel Authorization Form was completed and approved *after* the travel return date. Additionally, one Local Travel Expense Voucher was not approved by an authorized approver and was sent to the Department of Finance (DOF) to process the payment directly. Furthermore, seven of the eight Local Travel Expense Vouchers were not supported by adequate backup documentation for mileage claimed.

Procedural Memorandum (PM) 06-03, *Fairfax County Travel Policies and Procedures*, states: "All non-local travel requires prior approval. 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." PM 06-03 also states that it is the Department's responsibility to "approve or disapprove and process all forms promptly." Additional guidance provided in the Travel Tips and Reminders document on the DOF website suggests to "Keep MapQuest mileage as back up documentation."

Failure to complete a Travel Authorization Form 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. Furthermore, failure to obtain appropriate approval for travel expenses increases the risk that expenses might not be in compliance with county policy.

**Recommendation:** We recommend that OCA adhere to the requirements of PM 06-03 and the guidance provided in the Travel Tips and Reminders document on the DOF website, and ensure a Travel Authorization Form is completed and approved *before*

any non-local or overnight travel arrangements are made. Additionally, OCA should approve all travel expense reports *prior* to sending them to DOF for processing, and maintain adequate mileage backup documentation.

**Management Response:** OCA has now included Google map directions with all travel forms, including trips to the courts. The County Attorney and supervisors approve all non-local requests for travel prior to travel but the office will be diligent in efforts to ensure that the travel authorization form is signed and dated before the travel.

**Note:** *Management has stated that they have implemented 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. Approval of Compensatory Time Earned

In our review, we noted twenty-four instances over eleven different employees in which the delegate approved compensatory time earned based on the supervisor's verbal approval. In all twenty-four instances, there was no documented evidence of supervisor approval maintained on file.

PPAPP Memorandum No. 8, *Time and Attendance System and Controls*, states: "Managers are responsible for approving in advance (verbally or in writing) all employee requests to work overtime (hours above the regular schedule), and for documenting that approval in a manner that can be audited by internal and external auditors. Approval of the employee's timesheet via MSS is adequate documentation that advanced approval for overtime was granted." In addition, Memorandum No. 8 states: "When advance approval of overtime is not possible, supervisory approval should be obtained and documented, to the extent possible, within one business day of the employee's overtime."

Failure to document the supervisor's time approval increases the risk of inaccurate time being approved and waste or loss of county funds.

**Recommendation:** We recommend OCA maintain documentation evidencing supervisor approval in situations where a delegate approves compensatory time earned in FOCUS.

**Management Response:** The time delegate and payroll contact will be more diligent in documenting supervisor request by email or having the supervisor sign the payroll report and filing such documentation with the monthly reconciliation.

**Note:** *Management has stated that they have implemented 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.*

## 6. Employee Clearance Record Checklist

We noted that the Employee Clearance Record Checklists for all four employees tested were incomplete in terms of the signature/date of the terminated employee and the required checkboxes. Additionally, the responsibility for completing the checklist was not included in the job description of the staff who is/are responsible for completing this function.

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." Memorandum No. 33 further states: "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 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 at a later date.

**Recommendation:** We recommend OCA fully complete and retain an Employee Clearance Record checklist for employees transferring from one department to another or leaving the county service for any reason. Additionally, a copy of the signed checklist should be provided to the employee upon departure, and the responsibility for completing the checklist should be included in the job description of the staff who is/are responsible for completing the checklist.

**Management Response:** OCA will fully complete and retain an Employee Clearance Record checklist for employees transferring to another County department or leaving the County. The last two Employee Clearance Record checklists were signed and dated by employee and staff.

**Note:** *During the audit, IAO verified that the responsibility for completing the checklist was included in the job description of the staff member responsible for completing the checklist, therefore, no management response was needed for this item. IAO will follow up on the first portion of the recommendation after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.*

## 7. Positions of Trust

Our audit noted that OCA's Positions of Trust List did not include the five deputy county attorneys.

PPAPP Memorandum No. 56 states: "Employees who occupy positions of trust are subject to a credit check. 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."

Memorandum No. 56 also states: "Credit checks will be completed upon initial hire and for promotions, transfers, or demotions to a position of trust and every four years thereafter. 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 listing all required employees on the Positions of Trust increases the risk that employees who occupy positions of trust are not subject to the required credit check. It also increases the potential for abuse or fraud by staff who have access to sensitive/confidential information.

**Recommendation:** We recommend OCA include all five deputy county attorneys on the Positions of Trust and ensure credit checks are performed on them.

**Management Response:** OCA will submit a signed Authorization for Release of Information to the Employment Division, HR for each of the five deputies. Management anticipates completing this action by October 16, 2018.

## 8. Processing Monetary Receipts

Our audit noted that the Department Operating Procedures Form was not completed, as required by FPS 470, *Processing Monetary Receipts*. This form identifies staff name(s) and position(s) responsible for the collection, recordation and reconciliation for all monetary receipts. The types of monetary receipts collected by OCA included civil penalties and contempt sanctions collected for zoning enforcement violations, delinquent taxes, FOIA costs, and penalties and interest related to cases.

FPS 470 states: "All departments that collect monetary receipts are responsible for complying with the requirements as described in this policy document," and "at a minimum, all departments are required to complete the Processing Monetary Receipts Department Operating Procedures Form (FPS 470-1)." Furthermore, per FPS 470, in order to document adherence to FPS 470, the form must be completed and retained on file for DOF and audit review. FPS 470 also states: "Any exception to this policy must be requested in writing, from the Director of the requesting department by completing a Processing Monetary Receipts Waiver Request Form and submitting it to the DOF Director."

Not completing and maintaining the Department Operating Procedures Form increases the risk for fraud or error to occur, and inadequate safeguarding and handling of monetary receipts.

**Recommendation:** We recommend OCA complete the Department Operating Procedures Form. If there are exceptions, OCA should obtain DOF approval for the exceptions, and retain the approval on file.

**Management Response:** OCA has drafted a Request for a Waiver which is awaiting approval by DOF. Management anticipates completing this action by October 30, 2018.