



Fairfax County Internal Audit Office

**Office of Public Private Partnerships
Business Process Audit
Final Report**

September 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 Public Private Partnerships (OP3). The audit included review of procurement cards, FOCUS marketplace cards, non-purchase orders, 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 exceptions where compliance and controls needed to be strengthened:

- In our review of approvals of compensatory time earned, we noted 22 instances where the supervisor approval was not documented.
- Two P-Card users did not have a completed Employee Acknowledgement Disclosure Form (EAD) or P-Card Training Certification Test on file.
- Our audit noted five instances where non-purchase order items were not on the approved list of Financial Policy Statement (FPS) 630.
- Adobe license subscriptions, a technical review item, were purchased through p-card without documented evidence of technical review prior to the purchase.
- Evidence of receipt of Marketplace and non-PO physical items for five items was not adequately documented.

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 the Office of Public Private Partnerships' 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, and non-purchase order transactions that occurred during the period of June 2017 through May 2018. For that period, the department's purchases were \$19,027 for procurement cards, \$1,945 for FOCUS marketplace, and \$7,624 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. Approval of Compensatory Time Earned

We noted 22 instances over two different employees in which the delegate approved compensatory time earned based on the supervisor's verbal approval; however, there was no documentation of the supervisor's approval on file.

Per PPAPP Memo #8, *Time and Attendance System Controls*, "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, it 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: For situations where the delegate approves compensatory time earned in FOCUS, we recommend OP3 to maintain documentation evidencing supervisory approval.

Note: During the audit, IAO obtained a copy of an intra-office memo from OP3 outlining their new procedures regarding approval of compensatory time, dated July 19, 2018. 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.

2. Employee Acknowledgement Disclosure (EAD) Form and P-Card Training Certification Test

We noted two instances where the employee who used the procurement card did not have a signed Employee Acknowledgement Disclosure Form nor a completed P-Card Training Certification Test.

Procurement Technical Bulletin (PTB) 12-1009, *Use of 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 that OP3 ensure all current and potential p-card users have a thoroughly completed EAD form and Certification Test on file.

Management Response: OP3 will ensure that all staff who do not currently have the EAD and Certification test on file complete them. Management anticipates completing this action by September 7, 2018.

3. Non-Purchase Order Payments

The Non-Purchase Order method was used to pay for five items that were not listed as exemptions in Financial Policy Statement (FPS) 630, *Non-PO Payments*. These payments totaled \$5,132. The payments were for services, brochures/rack cards, name badges, and cell phone wallets. Requests for exceptions were not obtained from the County Purchasing Agent.

Per FPS 630, "All distinct business units (departments, agencies, etc.) of the county are responsible for ensuring that Non-PO payments are used appropriately and processed in accordance with regulations and county policy. All purchases from nongovernmental or governmental sources for goods or services shall be conducted with a purchase order or procurement card (p-card) unless exempted by this policy." Using a Non-PO to purchase an unapproved item circumvents established purchasing controls and reviews, increasing the risk for inappropriate purchases.

Recommendation: We recommend OP3 only use the Non-PO payment method for purchases that are listed as approved categories for Non-PO payment vouchers in FPS 630. A purchase order or p-card should be used for all other purchases. Additionally, all purchases that require technical review approval should be purchased using purchase order to ensure that appropriate control procedures take place. Exemptions for procurement other than those identified in FPS 630 must be approved by the County Purchasing Agent.

Management Response: OP3 will use the P-Card or purchase orders for transactions not listed as approved categories in FPS 630. However, if there is no other option than using the non-PO method for such purchases, OP3 will obtain written approval from the County's Purchasing Agent as required by FPS 630. Management anticipates completing this action by August 29, 2018.

4. Technical Review

We noted one instance where technical review items (Adobe license subscriptions - \$1,052.23) were purchased through the p-card, without documented evidence of technical review prior to the purchase of the items. Per discussion with OP3, they worked with DIT staff to obtain a quote from the vendor; in doing so, OP3 assumed that DIT was providing its approval. No documentation of the communication between the two agencies was maintained.

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

Circumventing the technical review process increases the risk of overpayment for goods, purchasing items that are not compliant with the county's standards, items incompatible with the county's systems or security requirements, and purchasing from a vendor that does not offer proper technical support.

Recommendation: We recommend that OP3 creates purchase orders in FOCUS to procure all items requiring technical review in accordance with PTB 12-1010. Written approval documentation should be maintained for technical review purchases if the procurement card method is used. If exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

Management Response: OP3 will create purchase orders in FOCUS to procure all items requiring technical review in accordance with PTB 12-1010. If a technical review purchase needs to be made through P-Card, written documentation of the technical review approval will be maintained on file. Management anticipates completing this action by August 29, 2018.

5. Receipt of Marketplace and Non-PO Items

We noted the following when reviewing receipt of items ordered via Marketplace and Non-POs:

- Marketplace - 2 of 12 sample transactions maintained on file did not have signed and dated packing slips for the FOCUS marketplace purchases. 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.

- Non-POs - 3 of 3 sample transactions maintained on file did not have signed and dated packing slips for non-PO physical items. Financial Policy Statement FPS 630, *Non-PO Payments*, requires that agencies “ensure that all documentation (e.g., vendor invoice, exception approvals from the County Purchasing Agent (if warranted), etc.), are prepared, reviewed, and approved by the department prior to forwarding to DOF for processing and posting.” The packing slip should be signed and dated to document proper receipt of goods.

Failure to adequately 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: OP3 should 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 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: OP3 will ensure that receipt of all ordered goods and services is adequately documented per Internal Audit recommendations. Management anticipates completing this action by August 29, 2018.