



# Fairfax County Internal Audit Office

Office of the County Executive  
Business Process Audit  
Final Report

November 2013

*"promoting efficient & effective local government"*

## Executive Summary

We performed a business process audit covering procurement and reconciliation within the Office of the County Executive. The audit included review of procurement cards, FOCUS marketplace, purchase orders, and non-purchase order payments.

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 three reportable findings during our audit:

- There were two instances where there was not an original vendor receipt, invoice, or credit slip on file to support procurement card transactions.
- The weekly review of procurement card usage was not completed in a timely manner in six instances.
- The Office of the County Executive documented p-card transactions on the transaction log; however, there were three instances where transactions tested were completely omitted from the transaction log.

## Scope and Objectives

This audit was performed as part of our fiscal year 2014 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. 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 effectiveness of the Office of the County Executive's compliance with county policies for purchasing processes 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 transactions from procurement cards, FOCUS marketplace, purchase orders, non-purchase orders and financial reconciliations that occurred during the period of July 1, 2012, through June 30, 2013. For that period, the department's purchases were approximately \$89,400 for procurement cards, \$3,118 for FOCUS marketplace, \$405,278 for purchase orders, and \$41,429 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

We noted two instances where there was not an original vendor receipt, invoice, or credit slip on file to support procurement card transactions. In addition, there was no evidence of sufficient alternate receipt documentation as required by Procedural Memorandum (PM) 12-02. The program manager was aware of both instances, confirmed validity of purchase types, and was working to obtain the necessary documentation.

Procedural Memorandum 12-02 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.

**Recommendation:** Sufficient receipt documentation, as specified by PM 12-02, should be maintained on file for all procurement card transactions.

**Management Response:** We concur with this recommendation. We will be more diligent to obtain documentation or include a memorandum with receipts and approval documentation. This item has been implemented.

### 2. Weekly Procurement Card Transaction Report Review

We noted six instances where the weekly review of procurement card usage was not being completed timely. Procedural Memorandum 12-02 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 that the Office of the County Executive perform and document weekly reviews of procurement card transaction reports which contain all items posted to the bank for the prior week.

IAO verified that the program manager reviewed the prior weekly transaction reports and implemented steps to ensure this situation does not happen in the future. No follow-up is required for this item.

### 3. Weekly FOCUS Marketplace Transaction Report Review

There was no evidence that weekly reviews of the FOCUS Marketplace transaction reports were being performed for the four weeks we tested.

Procedural Memorandums 12-02 and 12-16 require that all agencies review weekly transaction reports for unusual or unauthorized transactions for both general use p-cards and FOCUS marketplace p-cards. The Office of the County Executive implemented the weekly FOCUS marketplace transaction report reviews during the course of our current audit.

**Recommendation:** We recommend that the Office of the County Executive perform and document weekly reviews of marketplace transaction reports which contain all items posted to the bank for the prior week.

IAO verified that the Office of the County Executive implemented this recommendation during the course of our audit. No follow-up is required for this item.

### 4. Transaction Logs

The card activity log was not a complete reflection of the department's procurement card spending. We noted that 3 of the 35 transactions tested were completely omitted from the transaction log.

Procedural Memorandum 12-02 indicates that a system that tracks expenditures as they occur must be in place. Agencies may use an appropriate manual or computer log to record both debit and credit transactions. Entries must be contemporaneous to give up-to-date information on funds expended and the applicable card user.

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

**Management Response:** We concur with this recommendation. We will complete log entries for each transaction in a timely manner. This item has been implemented.