



Fairfax County Internal Audit Office

**Facilities Management Department
Business Process Audit
Final Report**

February 2014

"Promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement and reconciliation within the Facilities Management Department (FMD). The audit included review of procurement cards; FOCUS marketplace cards; and purchase orders, non-purchase orders and value line purchase order payments.

We commend FMD for having 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:

- FMD was following internal control procedures that were not updated and approved by Department of Purchasing and Supply Management (DPSM).
- There was no evidence to indicate that a weekly review of FOCUS marketplace procurement card usage was being completed.
- While FMD used an internal form to document the completion of their reconciliations, the form did not provide the authorization signature of the director or designee.
- While monthly reconciliations were being performed for FMD, they did not have a written reconciliation plan that was approved by the Department of Finance (DOF).

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 FMD's compliance with county policies for purchasing processes and financial reconciliations. 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 purchases orders, non-purchase orders and value line purchase order payments that occurred during the period of July 1, 2012, through June 30, 2013. For that period, the department's purchases were \$1,685,792 for procurement cards,

\$36,076 for FOCUS marketplace, \$31,571,186 for purchase orders, and \$17,093,785 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. Internal Control Procedures

While FMD had written Internal Controls Procedures, the procedures had not been updated to include FOCUS or approved by DPSM. Procedural Memorandum 12-02 requires all using agencies to establish procurement card internal control procedures that govern card security, use, and accounting specific to their operations. These procedures should be submitted to the DPSM program administrator for approval.

Failure to obtain approval or update departmental internal control procedures increases the risk that operating procurement card procedures might not comply with county policy.

Recommendation: We recommend that the FMD submit updated internal control procedures to DPSM for approval, in accordance with PM 12-02.

Management Response: FMD will update its Internal Control Procedures to include FOCUS and submit to DPSM for approval as recommended. Management anticipates completing this item by, March 28, 2014.

2. Weekly FOCUS Marketplace Procurement Card Transaction Report Review

There was no evidence to indicate that a weekly review of FOCUS marketplace procurement card usage was being completed. Staff did not know a PaymentNet report was needed to be generated and reviewed on a weekly basis. They also were not aware they needed to access PaymentNet to generate this report. 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 FMD perform and document weekly reviews of FOCUS marketplace procurement card transaction reports which contain all items posted in FOCUS for the prior week. This should be done by printing and reviewing the Marketplace procurement card PaymentNet reports on a weekly basis.

Management Response: Marketplace transactions are currently being conducted within the Administration and Operations & Maintenance Divisions. Weekly PaymentNet reports for both sections will be generated and reviewed. Reviewer will initial and date the report upon completion. The reports with supporting documentation will be held at the respective divisions. Management anticipates completing this item by, February 25, 2014.

3. Certification Reconciliation Form

While FMD used an internal form to document the completion of the monthly reconciliation for their financial transactions, the form did not provide the authorization signature of the director or designee.

Accounting Technical Bulletin (ATB) 020, *Reconciliation of Financial Transactions*, provides a Reconciliation Certification Form that is to be signed by the director or designee indicating that reconciliation was completed for a specific period for the financial transactions. This is to ensure that the department's transactions have been reconciled and verified by the authorizer/approver.

Recommendation: FMD should use the Reconciliation Certification Form provided by ATB 020 to capture the department's director or designee's signature. The form should be maintained on file by the division.

Management Response: FMD's organizational structure does not dedicate a staff member to solely conduct reconciliations. Reconciliations are conducted by multiple staff dependent upon the type of transaction or associated department section. A Reconciliation Certification Form will be submitted by the various staff to the department Director's designee, Financial Specialist IV (FS IV). The FS IV will review the forms and backup documentation and compile into a single department package and retain in a consolidated file. **Note:** Reconciliation of utility transactions are excluded from this plan as the bulk of transactions are processed by an outside vendor and monitored through a dedicated program "ECaps". Transactions processed manually are also captured in ECaps and monitored accordingly. Management anticipates completing this item by, March 14, 2014.

4. Reconciliation Procedures

While monthly reconciliations were being performed for the Facilities Management Department, they did not have a written reconciliation plan that was approved by the Department of Finance. ATB 020 states that each agency must develop a written reconciliation plan, approved by DOF, and adhere to internal control procedures, which govern financial transaction reconciliations.

Recommendation: We recommend that FMD develop a reconciliation plan using the DOF Guidelines as stipulated in ATB 020, and have it approved by DOF.

Management Response: FMD will develop and submit a reconciliation plan to DOF for approval as recommended. Management anticipates completing this item by, April 30, 2014.