



Fairfax County Internal Audit Office

**Reston Community Center
Business Process Audit
Final Report**

February 2014

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Executive Summary

We performed a business process audit covering procurement, reconciliation and revenues within the Reston Community Center (RCC). The audit included review of procurement cards; FOCUS marketplace; purchase orders; non-purchase order payments; and a limited review of revenue collections.

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:

- Three split p-card transactions were noted. Split transactions were also noted in our p-card audit of RCC in 2009.
- Procurement card transaction documentation included a credit card fax authorization form showing the complete credit card number, expiration date and security code for one of the sample transactions.
- Checks received for activity registration were not endorsed immediately upon receipt.
- Checks received via mail were not logged in an established journal by staff members who open the mail.
- RCC did not have an updated departmental reconciliation plan 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 the Reston Community Center's compliance with county policies for purchasing processes, revenue collection 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. We also conducted interviews to gain an understanding of the revenue collection process.

The audit population included transactions from procurement cards, FOCUS marketplace, purchase orders, and non-purchase order payments, and financial reconciliations that occurred during the period of August 1, 2012, through July 31, 2013.

For that period, the department's purchases were \$487,157 for procurement cards, \$15,116 for FOCUS marketplace, \$1,524,960 for purchase orders, and \$276,383 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. Split Purchases

There were three instances noted where split purchases were made in excess of RCC's single purchase card limit for individual procurement cards. Split transactions occur when the original purchase requirement for the same or related goods or services is broken into multiple smaller purchases which are made over a short period of time.

Procedural Memorandum (PM) 12-02 prohibits split purchases and notes that these types of transactions are usually done to circumvent a card's single purchase or cycle spending limit. Requirements which are divided for other purposes, such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases.

Recommendation: We recommend the RCC utilize proper purchasing methods in accordance with county policy. If a transaction requires a higher single purchase limit than the current limit on the card, contact the Department of Purchasing and Supply Management to request an increase in the single purchase limit. In addition, procurement card usage should be reviewed to determine if monetary limits need to be modified.

Management Response: The RCC p-card program manager communicated the PM12-02 split purchase prohibition to RCC p-card users. In December of 2013 the program manager discussed the split orders identified during this audit with the employees involved, their supervisors, and the agency director. Ongoing monitoring and coaching will be provided to p-card users. Management states this item has been completed.

2. P-Card Number Security

Supporting documentation for one of the agency p-card transactions included the full card number, expiration date and security code. The card user failed to note and redact the card number, expiration date and security code from the supporting documentation for this transaction. Additionally, when this transaction was reviewed by RCC financial staff, the sensitive card information was not noted or redacted.

Procedural Memorandum 12-02 requires that sensitive card information be safeguarded and proper internal controls require the redaction of sensitive card information if it appears on documents other than the required List of Agency Cards. Maintaining supporting documentation with sensitive card information increases the risk of inappropriate or fraudulent card use.

Recommendation: We recommend all card users be made aware that the complete card number, expiration date and security code cannot be displayed on transaction documentation. If these items do appear on transaction documentation, the first 12 numbers of the card number, the expiration date and the security code should be redacted. The review of transaction documentation should include a check for sensitive card information, especially for purchases with vendors known to request this information in writing.

Management Response: RCC has reinforced the need for detailed review of the supporting documentation for each p-card transaction in addition to providing ongoing coaching of RCC p-card users and reminder communication of p-card security requirements. The p-card program manager communicated card security requirements to all RCC p-card users in December of 2013, however; this is an ongoing process. Management states this item has been completed.

3. Receiving Checks

A. Check Endorsement

Checks received for activity registration were not endorsed until registration for the activity was closed and the final activity participants were established. Accounting Technical Bulletin (ATB) 40070 and proper internal controls require checks to be endorsed as they are received. RCC staff who receive checks for activity registration were not aware that immediate endorsement was required. Failure to endorse checks as they are received increases the risk of check fraud.

Recommendation: RCC staff who receive checks through the mail or in-person should endorse activity registration checks when the checks are received.

Management Response: An RCC staff team comprised of the director of finance, customer service manager, deputy director, and financial specialist I will review and revise internal procedures for processing monetary receipts and implement procedures that are in accordance with ATB 40070. Management anticipates completing this item by June 30, 2014.

B. Check Logging

When checks were received in the mail, staff members who open the mail did not log the checks in a journal. Accounting Technical Bulletin 40070 requires checks received in the mail be logged in an established journal. RCC staff were not aware that the checks needed to be logged. Failure to log checks received in the mail increases the risk of errors due to misplaced checks and increases the potential for check fraud.

Recommendation: RCC staff who receive checks through the mail should establish a journal and log the checks they receive. The log should be independently reconciled to the checks.

Management Response: An RCC staff team comprised of the director of finance, customer service manager, deputy director, and financial specialist I will review and revise internal procedures for processing monetary receipts and implement procedures that are in accordance with ATB 40070. Management anticipates completing this item by June 30, 2014.

4. Departmental Reconciliation Plan

While monthly reconciliations were performed, RCC did not have an updated departmental reconciliation plan that was approved by the DOF. ATB 020, revised and issued March 2013, states that each agency must develop a written reconciliation plan and submit the plan to the DOF for approval. If guidance on developing a departmental reconciliation plan is needed, please contact the Accounts Payable Policy Administration Division in DOF.

Recommendation: We recommend that RCC develop a reconciliation plan using the DOF guidelines.

Management Response: RCC Reconciliation Plan development is in progress. Management anticipates completing this item by February 28, 2014.