



Fairfax County Internal Audit Office

**General District Court
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 General District Court (GDC). The audit included review of procurement cards; FOCUS marketplace cards; purchase orders, and non-purchase orders.

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:

- Two out of seven procurement cards had limits that were not found to be in line with card usage.
- Packing slips were not consistently maintained on file for marketplace transactions.

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 General District Court'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 order payments, and financial reconciliations that occurred during the period of October 1, 2012, through September 30, 2013. For that period, the department's purchases were \$71,050 for procurement cards, \$35,337 for FOCUS marketplace, \$29,222 for purchase orders, and \$316,206 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. Card Limits

An analysis performed on card limitation controls for the GDC's cards for the period October 1, 2012, through September 30, 2013, revealed that the monthly spending limits were set higher than the actual usage for two out of seven cards. One card had a monthly credit limit of \$10,000 and the highest monthly spending was \$875. The second card had a monthly credit limit of \$2,500 and had no transactions for this audit period.

The county has limited dispute rights for fraudulent charges on work group cards and agencies are liable for fraudulent charges until such cards are reported to the bank as lost or stolen. Setting the procurement card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

Recommendation: We recommend the GDC review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs. The General District Court should also reduce or eliminate the number of unused cards to minimize the risk of loss or theft.

Management Response: The P-Card Program Administrator will evaluate p-card usage semi-annually to determine if any cards were unused or limits need to be adjusted and take appropriate action based on findings. This item will be implemented immediately.

2. Marketplace Receiving Documentation

Eight of twenty sample transactions maintained on file did not have packing slips on file. Additionally, six of twenty sample transactions maintained on file did not have signed and dated packing slips for the FOCUS marketplace purchases.

Failure to adequately document the receipt of purchases prevents the assurance of an adequate separation of duties. It also increases the risk that erroneous or inappropriate charges to the procurement card could go undetected or not corrected in a timely manner.

Recommendation: General District Court should ensure that all packing slips are consistently maintained, reviewed, initialed and dated by the receiving staff member. Receiving and logging of transactions should be reviewed weekly against the PaymentNet Transaction Detail By Hierarchy Report and monthly when reconciling purchase orders to FOCUS.

Management Response: The bookkeeper will continue to include the marketplace ghost p-card in the weekly p-card reconciliation and determine if receiving documents were properly submitted, including purchases made by Court Services staff. The purchaser and the purchaser's supervisor have been notified and reminded of the receiving policy. This item is currently in effect.