Fairfax County
Internal Audit Office

Department of Information Technology
Business Process Audit
Final Report

October 2014

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and cash receipts within the Department of Information Technology (DIT). The audit included review of procurement cards; FOCUS marketplace cards; purchase orders, non-purchase orders, and value line purchase order payments; and limited procedures for cash receipts.

We found that the department had effective procedures and internal controls in place for the purchase order, non-purchase order and value line purchase order processes. Additionally, reconciliations were independently performed and were completed in a timely manner. The audit population included transactions that occurred during the period of March 1, 2013, through February 28, 2014. For that period, the department's purchases were approximately $7.4 million for procurement cards, $32k for FOCUS marketplace, $72 million for purchase orders, and $8.6 million for non-purchase order payments.

We noted the following exceptions where compliance and controls needed to be strengthened:

- Controls over the check and cash handling process could be strengthened.

- Procurement card transactions were not properly logged.

- Of the 20 Employee Acknowledgement Disclosure (EAD) Forms tested, two card users did not have a signed form on file with the p-card program manager.

- Controls over documenting the receipt of orders placed on the agency procurement card and through the FOCUS marketplace were not adequate.

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 DIT's compliance with county policies for purchasing processes, financial reconciliation and cash receipts. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

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. Cash receipts test work was primarily limited to inquiry only.

Findings, Recommendations, and Management Response

1. Cash/Check Handling

A. Securing Cash and Checks

DIT received checks for reimbursement grants and services provided to non-general fund agencies and outside entities as well as checks and cash for Geographic Information System (GIS) Mapping sales. Staff members generally secured the checks in locked drawers at their desk, sometimes for several days, before the checks were deposited. While the cash handled by DIT staff was minimal, some of the reimbursement grant checks were over $250,000. Accounting Technical Bulletin (ATB) 40070 states that "It is highly recommended that fireproof and waterproof safes or vaults be used to store cash, checks, and other valuables. Filing cabinets or desk drawers with key-locks are not recommended for this purpose. Only money used to make change in cash drawers and registers and petty cash should be left overnight in a safe or vault." Failure to store checks in a locked safe or vault at all times could result in the theft or fraudulent use of the checks.

Recommendation: We recommend checks be stored in a dual access safe at all times. Cash held in GIS Mapping deposit bags should also be stored in the safe until it is deposited. Access to the safe should be limited to as few people as possible. Additionally, checks should be deposited as soon after they are received as possible.

Management Response: DIT notes that the process for receiving and properly coding reimbursement grant checks, which must be done before the checks can be deposited, takes an average of five business days once the checks are received through the county mail distribution. We note that no issues of fraud associated with checks or cash were found. DIT has safes that have periodically been used for cash within Policy, Planning and Administration (PPA), but not in GIS. GIS and PPA staff will update the process for coordinating cash and check deposits for GIS receipts in accordance with ATB 40070. Management anticipates completing this action by October 10, 2014. Other more modern ways for GIS office collections will be evaluated for future implementation.

Management anticipates completing this action by November 1, 2014. Grant reimbursement checks that are not deposited on the same day they are received will be stored in a dual access safe. Management anticipates completing this action by November 15, 2014.

B. Check Log

When DIT received checks in the mail for grants and services provided to non-general fund agencies and outside entities, they did not log the checks in an established journal. Additionally, the checks were not immediately restrictively endorsed by the person opening the mail. ATB 40070 requires that checks received through the mail be logged in an established journal and then restrictively endorsed. Failure to log and restrictively endorse checks received in the mail decreases accountability, increases the risk of errors due to misplaced checks and increases the potential for check fraud.

Recommendation: During the audit, DIT implemented the use of a check log. We recommend DIT continue to maintain an accurate log of checks received in the mail and ensure the checks are restrictively endorsed soon after the mail is opened.

Management Response: DIT notes that checks received in the mail should be endorsed and coded by financial processing staff. DIT developed and implemented the use of a check log for all DIT checks received in the mail on June 1, 2014. The financial manager who takes possession of the check after the mail is opened will code and endorse the check.

C. GIS Mapping Cash and Check Handling

GIS Mapping sells maps and data, with estimated annual revenues of $30,000. Approximately 90% of these revenues are received in the form of check payments and 10% in cash. According to staff, they will soon have the ability to accept credit card payments. GIS Mapping maintained a cash drawer where checks and cash were stored until they were sent to the general fund manager for deposit approval. A transaction tracking spreadsheet was used to track all customer orders and receipts of cash and checks. Six staff members had individual access to the cash drawer and to the transaction tracking spreadsheet. When check payments were received, checks were not endorsed by GIS Mapping staff. Additionally, end-of-day cash closeouts were performed by individual staff members who also had access to the transaction tracking spreadsheet. GIS stated that it did not have enough staffing resources to maintain optimal controls.

For optimal controls, an adequate separation of duties does not allow any individual the ability to initiate record and reconcile the same transaction. Additionally, for proper accountability the cash box should be restricted to as few individuals as possible, preferably only one. Maintaining cash and a transaction tracking spreadsheet as a cash control that are accessible by six staff members

eliminates accountability in instances of loss of funds from thefts and mistakes.

In addition, GIS Mapping staff issued written receipts to customers that were not sequentially numbered. When the use of a cash register is not practical, proper internal controls require the issuance of a sequentially numbered written receipt to ensure each transaction is recorded and reconcilable. If receipts are not sequentially numbered, there is no accountability in an instance of lost or stolen funds.

Recommendation: We recommend GIS Mapping issue sequentially numbered receipts and place a sign at their sales counter notifying customers that they must receive a receipt for each transaction. Access to cash should be limited to as few staff as possible. We also recommend GIS staff restrictively endorse checks immediately after they are received. Additionally, we recommend GIS Mapping staff send all corresponding order forms and receipts with the deposit bag to the general fund manager for review. The general fund manager should then match the order forms to the sequentially numbered receipts and verify this against the deposit.

Management Response: DIT notes that DIT technical areas do not have dedicated administrative staff; all administrative and financial processing staff are located in the DIT PPA division supporting all DIT divisions and branches. GIS staff will institute the use of sequentially numbered receipts for GIS mapping sales. Receipts will be collected and reviewed daily by DIT financial staff for deposit reconciliation. GIS staff will also reconcile daily collections and receipts. The GIS office will display a desk sign at the counter reminding customers to obtain a receipt for their purchase. Management anticipates completing these actions by November 1, 2014.

2. Procurement Card Transaction Logs

Procurement card transactions were not properly logged. The logs for the TRAINING TRAVEL-1, TRAINING TRAVEL 2, DIT ADMN GENERAL and ENTERPRISE OPERATION were only sign-in/sign-out logs and did not record any other transaction information. The COURTROOM TECHNOLOGY and NCCS-TELECOMMUN logs recorded transaction information but did not document the card user. Additionally, a card log was not maintained for the NCCS-DATA COMMUN card. Finally, eight out of the 50 sample transactions were not logged. As a result, of the 50 procurement card transactions tested, 45 were not properly logged.

Procedural Memorandum (PM) 12-02 requires the use of a system that tracks card transactions as they occur. This may be a manual or electronic log and must provide up-to-date information on funds expended and should identify the card user.

Failure to maintain accurate card logs decreases card user accountability in an instance of fraud or abuse. Additionally, inaccurate card logs prevent card custodians from accurately tracking card usage.

Recommendation: We recommend DIT maintain standard transaction logs which accurately reflect all procurement card activity to ensure card use is properly monitored. During the audit, the DIT p-card program manager developed a comprehensive card log template to be used by all DIT card custodians. We recommend this template be distributed to all DIT card custodians for use and the program manager take steps to ensure the accuracy of the card logs.

Management Response: With the total significant volume of DIT financial processing in over eight funds and 20 programs, DIT was in general compliance with county SRM/AP procedures. DIT will strengthen overall procedures for payments for services. DIT notes that the log issues found were mostly related to incomplete information; only one card was not using any type of log. On September 4, 2014, DIT held a training program for all DIT agency p-card custodians to review the requirements of PM12-02 as well as agency specific policies for p-card management. The DIT p-card program manager will review and monitor all p-card logs to ensure completeness and accuracy.

3. **Employee Acknowledgement Disclosure Forms**

During our transaction testing, we noted two instances where the procurement card user did not have a signed Employee Acknowledgement Disclosure (EAD) form on file. PM 12-02 requires that all first-time card users sign an EAD form. The form acknowledges the employee's responsibilities regarding card use and sets forth consequences for misuse. Card use by staff who has not signed the EAD form could lead to misuse of the procurement card.

Recommendation: DIT should ensure each employee using a procurement card sign and date an EAD form, with all EAD forms maintained on file by the p-card program manager. During the audit, the DIT p-card program manager obtained signed EAD forms from the card users who did not have the forms on file. No follow-up is necessary for this item.

4. **Documenting Receipt of Orders**

A packing slip was not maintained as part of the supporting documentation for two of the 50 p-card sample transactions. Additionally, one of the 15 FOCUS marketplace transactions reviewed did not have supporting documentation on file verifying receipt of the ordered goods. For seven of the 50 p-card transactions and six of the 15 FOCUS marketplace transactions reviewed, receipt of goods was documented by a staff member other than the person who received the purchased items.

PM 12-16 requires that all agencies verify goods received against the packing slip and the original order. The packing slip should then be signed and dated to document proper receipt of goods and this verification of receipt should be maintained on file as part of the supporting documentation for the order.

Failure to appropriately document receipt of an order increases the risk of payment for goods not received.

Recommendation: We recommend employees who receive orders document receipt on the packing slip and ensure the packing slip is included with the supporting transaction documentation for the order.

Management Response: Packing slips for goods received will be verified and then initialed and dated by the individual staff member who completes the receiving. The p-card program manager will closely monitor p-card and FOCUS marketplace transactions to ensure receipt is appropriately documented. Management anticipates completing this action by November 1, 2014.