



Fairfax County Internal Audit Office

Department of Public Safety Communications
Business Process Audit
Final Report

November 2014

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Executive Summary

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

We found that in general 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:

- DPSC administration spent approximately \$780 on employee awards between July 2013 and June 2014 in which the single award amount exceeded \$50.
- The p-card transaction log did not reflect who was in possession of the card during a given time frame.
- The departmental internal control procedures were not updated to accommodate the FOCUS system and marketplace purchases.
- There was no evidence to indicate that FOCUS reconciliations and the weekly review of the FOCUS marketplace transactions were performed from July 2013 through February 2014. Additionally, DPSC did not use the Reconciliation Certification Form to document the completion of the review for the above-noted period.

Scope and Objectives

This audit was performed as part of our fiscal year 2015 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 DPSC'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, and non-purchase orders that occurred during the period of July 1, 2013, through June 30, 2014. For that period, the department's purchases were \$97,786 for procurement cards, \$43,818 for FOCUS marketplace, \$4.4 million for purchase orders, and \$2,638 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. Award Purchases

DPSC administration spent approximately \$780 on employee awards between July 2013 and June 2014. A single award in the amount of \$378 and three performance-based awards, which cost \$134 each, were given to the employees. Per Memorandum Number 18, Personnel/Payroll Administration Policies and Procedures Performance Awards Program, "A Departmental Honors Award may be granted to recognize an employee whose performance exceeds job requirements. The value of the award item must not exceed \$50.00."

Recommendation: DPSC should comply with County policy on award and ensure that the awards given to employees have a maximum monetary value of \$50.

Management Response: DPSC's employee awards program is an important initiative that recognizes the often unsung extraordinary efforts of its public safety communicators and support personnel. The agency will continue with its program but will seek alternative awards in order to comply with County policy. Management anticipates completing this item by November 5, 2014.

2. Procurement Card Transaction Logs

The p-card transaction log did not reflect the timeframe that the card was in the possession of the card user. DPSC tracked the usage of the departmental p-cards on an excel spreadsheet that was located in a network folder. The online log did not require the card user to physically sign when the card was checked in/out, thus it did not give an accurate indication of who was in possession of the p-card during a given time frame.

Procedural Memorandum (PM) 12-02 indicates that "A system that tracks possession of the p-cards and records p-card purchases as they occur must be in place." If possession of the p-card is not accurately tracked, the risk of not identifying fraudulent transactions in a timely manner is increased. Since the bank does not offer as much fraud protection for departmental cards as named cards it is

imperative to accurately and completely track the possession and usage of the p-cards.

Recommendation: We recommend DPSC develop and implement a p-card transaction log template that requires each individual who uses the departmental p-card to physically sign the log and indicate the date they took possession of the card and when the card was returned.

Management Response: DPSC has developed and implemented a p-card transaction log template as part of its revised internal control procedures. The logs now exist in hard copy paper format rather than electronic spreadsheet. Transactions posting as of October 2014 will be logged in this manner for all agency p-cards. Management anticipates completing this item by October 1, 2014.

3. Internal Control Procedures

DPSC had internal control procedures (ICP) on file that were approved by the Department of Purchasing and Supplement Management (DPSM) in 2011; however, the procedures were not current and did not reflect the processes currently in place. For example the ICP still referred to FAMIS, the previous financial system that was in place prior to FOCUS.

Failure to obtain approval for updated departmental internal control procedures increases the risk that operating procurement card procedures might not be in compliance with county policy.

Recommendation: We recommend DPSC update their procedures to accurately reflect the design of the office's procurement card program, and submit it to DPSM for approval. The procedures should refer to the current system(s) in use, i.e. FOCUS.

During the audit, DPSC updated their written internal control procedures and received approval from DPMS on September 9, 2014. No management response is needed for this item.

4. Planning and Maintaining Procedures

Our test work indicated that DPSC did not perform the following tasks for the period from July 2013 through February 2014:

- There was no documented evidence to indicate that the monthly FOCUS reconciliation of the financial transactions was performed from July 2013 to February 2014 with exception of the procurement card reconciliements. The Reconciliation Certification Form was not used to document any of the reconciliation activity. However; as of March 2014, the monthly FOCUS reconciliations were properly documented and approved.
- DPSC was not able to provide the receiving documentation including the

packing slips for 22 out of the 32 FOCUS marketplace transactions for the period between July 2013 and November 2013. As of December 2013, the Internal Audit Office (IAO) confirmed that the proper receiving documentation was being retained and the receipt of goods was documented on the packing slip.

- There was no evidence to indicate that a weekly review of FOCUS marketplace procurement card usage was completed from July 2013 through January 2014. As of February 2014, IAO verified that the department was running and reviewing the report on a weekly basis.

Per DPSC staff, due to staffing issue and lack of awareness of the procurement-related policies and procedures, the department was not able to perform the appropriate reviews and reconciliations. The staff also stated that the Financial Specialist II position was vacant from November 2013 through February 2014. Lack of internal controls could increase risk of intentional or unintentional fraud, waste and abuse of resources.

Recommendation: We recommend that staff members be designated as back-up personnel for financial transactions. Back-up staff should be properly trained and available to perform these transactions when an individual is absent or a position is vacant for an extended period of time. Also, the personnel must be properly supervised to ensure that the procedures are completed properly and timely.

Management Response: The Financial Specialist II has the primary responsibility to perform monthly reconciliations and weekly reviews while the Financial Specialist III supervises these processes. The Financial Specialist I will be cross-trained as the back-up for reviews and reconciliations by the Financial Specialist II in order for either position to be able to complete the required actions in a timely manner. Management anticipates completing this item by October 1, 2014.