



Fairfax County Internal Audit Office

Department of Management and Budget
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 Management and Budget (DMB). The audit included review of procurement cards; FOCUS marketplace cards; and purchase orders and non-purchase orders.

We found that the department had effective procedures and internal controls in place for the purchase order and non-purchase order processes. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- There was no evidence to support the performance of a monthly reconciliation of expenditures to data in FOCUS.
- One card user did not have an Employee Acknowledgement Disclosure (EAD) Form on file, and a completed P-card Training Certification Test was not on file for some card users.
- The departmental internal control procedures were not updated to accommodate the FOCUS system and marketplace purchases.
- P-card transaction weekly reviews were not performed in a timely manner.
- FOCUS marketplace transaction weekly reviews were not performed.

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 DMB'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 2013, through June 2014. For that period, the department's purchases were \$26,759 for procurement cards, \$7,757 for FOCUS marketplace, \$196,964 for purchase orders, and \$10,181 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. FOCUS Reconciliation

There was no documentation to support the performance of a monthly reconciliation of expenditures to data in FOCUS. Procedural Memoranda (PM) 12-02 and 12-16, as well as Accounting Technical Bulletin (ATB) 020 require a timely monthly reconciliation of all transactions posted to FOCUS. Failure to document a monthly reconciliation of expenditures to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: We recommend DMB perform and document a monthly reconciliation of all expenditures to data in FOCUS and complete a Reconciliation Certification Form to document completion of the review.

During the audit, DMB developed and implemented new reconciliation procedures in accordance with ATB 020. The Internal Audit Office (IAO) verified DMB's performance of a monthly reconciliation under their new procedures. No management response is needed; however, because the procedures were only recently implemented, we will follow-up on this item.

2. Employee Acknowledgement Disclosure Forms & P-Card Training Certification Test

A. Missing Employee Acknowledgement Disclosure Form

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

Recommendation: We recommend all card users sign and date an EAD form prior to using the county p-card, and the program manager maintain an EAD form on file for all p-card users.

During the audit, DMB obtained the signed EAD form that was missing. No management response is needed for this item.

B. P-Card Training Certification Test

Out of the ten employees who had signed EAD forms on file, only one card user had completed the P-Card Training Certification Test. Completion of the P-Card Training Certification Test is not required if a staff member signed the EAD form prior to the certification test implementation date. However, six of the ten EAD forms on file were not dated so it was unclear who of these six staff should have a completed test on file. Of the four staff members who had EAD forms dated after the certification test implementation date, only one had a completed certification test on file.

PM 12-02 requires that all new card users complete and pass the certification test; the test must then be kept on file with the employee's EAD form. Card use by staff that have not completed the certification test could lead to misuse of the procurement card.

Recommendation: We recommend all DMB p-card users who signed an EAD form and became a p-card user after the implementation of the on-line p-card training complete the P-Card Training Certification Test to be maintained on file with their EAD form.

Management Response: All p-card users will be renewing their EAD forms along with completing the mandatory online training and certification test. All card user EAD forms and certification tests will be maintained on file by the program manager to ensure all employees are educated in the proper use of the p-card. Management anticipates completing this action by November 30, 2014.

3. Internal Control Procedures

DMB had internal control procedures (ICP) on file that were approved by the Department of Purchasing and Supply Management (DPSM) in 2009; 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.

Procedural Memorandum (PM) 12-02 states that an "agency's ICP should be revised periodically to reflect any program changes". Failure to update procedures increases the risk of operating the p-card program outside of county guidelines.

Recommendation: We recommend DMB update their internal control procedures to accurately reflect the department's current procurement card procedures and submit it to DPSM for approval. The procedures should refer to the current system(s) in use, i.e. FOCUS.

During the audit, DMB updated their ICP which was subsequently approved by DPSM. No management response is needed for this item.

4. Procurement Card Weekly Transaction Report Review

A review of the weekly PaymentNet p-card transaction detail report was not performed timely for five of the ten transactions tested. Additionally, one of the weekly reports was not signed to certify completion of the review. PM 12-02 states: "Each week, the agency is required to prepare a p-card transaction detail report using the p-card software. The agency reconciles this report with actual purchase documentation to determine that all charges are valid."

Failure to review the weekly transaction reports in a timely manner increases the risk that inappropriate transactions will not be identified in a timely manner.

Recommendation: We recommend DMB perform a timely review of the weekly p-card transaction detail report. The person performing the review should initial and date the report to certify completion of a timely review.

During the audit, a review of the five most recent weekly p-card transaction detail reports confirmed that DMB now performs timely and appropriately documented weekly reviews. No management response is needed for this item.

5. FOCUS Marketplace Weekly Review

A review of the weekly PaymentNet transaction report was not performed for any of the transactions tested. PM 12-16 states "Performing weekly review of all orders for office supplies against the expenditures posted to the agency FOCUS accounts will reveal transactions that do not belong to the agency or that might be of a fraudulent nature. The agency office supply program manager should obtain a copy of the agency's FOCUS p-card report on a weekly basis. A cursory review of the bank's p-card report should be conducted weekly in order to mitigate fraud." Failure to perform a review of the weekly transaction reports increases the risk that inappropriate transactions will not be identified in a timely manner.

Recommendation: We recommend DMB perform a timely review of the weekly transaction detail report for FOCUS marketplace transactions. The reviewer should initial and date the report to certify completion of a timely review.

During the audit, a review of the five most recent weekly FOCUS marketplace transaction detail reports confirmed that DMB now performs timely and appropriately documented weekly reviews. No management response is needed for this item.