



Fairfax County Internal Audit Office

Office of the Clerk to the Board of Supervisors
Business Process Audit
Final Report

January 2015

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Clerk to the Board of Supervisors. 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 reconciliation and weekly reviews of purchases. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Two of the five purchase orders reviewed required the solicitation of quotes but no quotes were solicited before the order was placed with the vendor.
- One of the five purchase orders reviewed was created subsequent to an order being placed with the vendor.
- Receiving was not properly documented for eight of the 20 FOCUS marketplace transactions reviewed.
- The departmental internal control procedures were not updated to accommodate the FOCUS system and marketplace purchases.

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 Clerk to the Board of Supervisors' 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 order transactions that occurred during the period of October 1, 2013, through September 30, 2014. For that period, the department's purchases were \$86,239 for procurement cards, \$16,545 for FOCUS marketplace, \$34,644 for purchase orders, and \$40,425 for non-purchase orders.

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. Solicitation of Quotes

Two of the five sample purchase orders tested required the solicitation of quotes; however, no quotes were solicited prior to placing the order. Both of these purchase orders were for newsletter printing services requested by one of the board offices; one order with a value of \$7,500 and the other with a value of \$8,500.

Procedural Memorandum (PM) 12-09 states: "Unless the purchase is determined to be a sole source or is already on contract, departments are required to solicit quotes from at least three sources for purchases from \$5,000 to \$10,000". Failure to solicit quotes increases the risk of an agency not obtaining the best combination of price and quality for goods and services ordered.

Recommendation: We recommend the Clerk to the Board of Supervisors solicit three quotes when purchasing items from \$5,000 to \$10,000.

Management Response: When there is a procurement need between the amounts of \$5,000 to \$10,000, the Office of the Clerk to the Board of Supervisors will notify Board staff of the requirement to solicit at least three quotes for the purchase and ensure that the quotes are documented. Management anticipates immediate completion of this action.

2. Placing Order Prior to Creation of Purchase Order

One of the five purchase orders reviewed was created after the corresponding order was already placed with the vendor. This purchase order was also noted in finding number one. The shopping cart for this purchase order was created on December 20, 2013 while the invoice associated with the purchase order was dated December 5, 2013. Agencies are required to create a purchase order in FOCUS prior to placing an order with a vendor. Failure to do so circumvents the approval process, promises payment to a vendor for funds that have not yet been encumbered for that purpose and prevents an adequate separation of duties.

Recommendation: We recommend staff at the board member offices submit a

procurement request to the Clerk to the Board of Supervisors financial staff prior to placing an order with a vendor.

Management Response: The Office of the Clerk to the Board of Supervisors will continue to recommend that a procurement request be communicated to appropriate staff prior to placing an order with a vendor. Management anticipates immediate completion of this action.

3. FOCUS Marketplace Receiving

Packing slips were not on file with the supporting documentation in three of the 20 sample transactions. Additionally, five of the 20 sample transactions had packing slips that had no verification of receipt. PM 12-16 states: "Receipt of goods, by individual line item, should be verified against the packing list and the original order. Packing lists should be signed and dated, acknowledging accurate receipt". Failure to properly document receipt of goods increases the risk of payment for items not received.

Recommendation: We recommend the Clerk to the Board of Supervisors maintain packing slips for each FOCUS marketplace transaction. We also recommend the person who receives the order properly document receipt by signing and dating the packing slip.

Management Response: The Office of the Clerk to the Board of Supervisors will make more of an effort to obtain all packing slips for FOCUS marketplace transactions and to ensure that staff receiving the order forwards the signed and dated packing slips to this office for retention. Management anticipates immediate completion of this action.

4. Internal Control Procedures (ICP)

The Clerk to the Board of Supervisors had internal control procedures on file that were approved by the Department of Purchasing and Supply Management (DPSM) in 2007; however, the procedures were not current and did not reflect the processes currently in place.

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 the Clerk to the Board of Supervisors update their internal control procedures to accurately reflect the department's current procurement card procedures and submit it to DPSM for approval.

Management Response: The Office of the Clerk to the Board of Supervisors will update their internal control procedures to accurately reflect the department's current procurement procedures and submit to DPSM for approval. Management anticipates completing this action by April 1, 2015.