



Fairfax County Internal Audit Office

Department of Tax Administration
Business Process Audit
Final Report

August 2015

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Department of Tax Administration (DTA). The audit included review of procurement cards; FOCUS marketplace cards; and purchase orders and non-purchase orders.

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 exception where compliance and controls needed to be strengthened:

- Receiving documentation for FOCUS marketplace card purchases were not date stamped and initialed by the recipient to evidence receipt of items purchased.

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 DTA'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 cards, purchase orders, and non-purchase orders that occurred during the period of November 1, 2013, through October 31, 2014. For that period, the department's purchases were \$105,959 for procurement cards, \$94,832 for FOCUS marketplace cards, \$861,666 for purchase orders, and \$1,884,435 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

FOCUS Marketplace Purchase Receiving Documentation

The packing lists for 13 of 20 or 65% of the transactions tested were not initialed or dated to evidence receipt. Five of these transactions had packing lists that were date stamped but not signed or initialed. *Procedural Memorandum 12-16 (PM 12-16)* requires goods received to be verified by individual item against the packing list and the original order. PM 12-16 also requires packing lists to be signed and dated to acknowledge receipt. Failure to adequately document the receipt of purchases increases the risks of payment for goods or services not received. Also, it increases the risks of erroneous or inappropriate charges to the procurement card not being detected in a timely manner.

Recommendation: We recommend DTA ensure that all packing slips are consistently reviewed, initialed and dated by the receiving staff member. Receiving information should be reviewed weekly against the PaymentNet Transaction Detail By Hierarchy Report and monthly when reconciling purchase orders to FOCUS.

Management Response: The DTA administrative staff tasked with ordering supplies have been briefed on PM 12-16 and they understand that this PM requires 1) all goods received to be verified by individual item against the packing list and the original order; 2) they are required to sign and date-stamp each packing list upon receipt. DTA's fiscal administrator will monitor this during FY 2016 to ensure DTA remains in compliance. This item was implemented on May 31, 2015.