



Fairfax County Internal Audit Office

**Office of the Commonwealth's Attorney
Business Process Audit
Final Report**

May 2015

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Office of the Commonwealth's Attorney. The audit included review of procurement cards; FOCUS marketplace cards; and purchase orders and non-purchase order payments.

We found that 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:

- There was no evidence that a supervisory review of the Witness Travel p-card transactions was performed.
- Procurement cards were not stored in a secure location.
- Receipt of three out of fifteen FOCUS Marketplace purchases was not properly documented.
- The procurement card log did not properly document the card user.
- Water was purchased for general office use.
- The monthly purchase limit was not in line with actual spending.

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 Office of the Commonwealth's Attorney'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 February 1, 2014, through January 31, 2015. For that period, the department's purchases were \$97,464 for procurement cards, \$20,502 for FOCUS marketplace, \$48,927 for purchase orders, and \$20,914 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. Supervisory Review of Transactions

There was no evidence that an independent supervisory review was performed for purchases made by the card custodian. The card custodian (Management Analyst I) was also the primary card user and reconciler for Witness Travel card. Per staff, the weekly transaction report was reviewed by Management Analyst II; however, the review was not documented.

Procedural Memorandum (PM) 12-02 indicates that whenever separation of duties cannot be achieved, there must be a compensating control consisting of a "substantive supervisory review" of transaction activities. This verification should be evidenced by the reviewer signing and dating the documents reviewed.

The ability of staff to review and reconcile their own purchases without any supervisory review increases the risk that unauthorized or inappropriate procurement card spending will go undetected.

Recommendation: We recommend that an independent supervisory review of the Witness Travel card weekly transactions report be performed regularly. The reviewer should sign and date the report to document the review.

Management Response: The card custodian, who is also the primary user of the witness p-card, will continue to complete the weekly and monthly PaymentNet reconciliations and will log transactions in an excel spreadsheet.

After the card custodian completes the weekly PaymentNet reconciliation, the supervisor will review the reconciliation by verifying the charges on the PaymentNet report against the receipts. After satisfactory review, the supervisor will date and sign (handwrite) the report. Management anticipates completion of this item by May 15, 2015.

2. Physical Security Over P-Cards

The key to access the office procurement cards was being stored in an unlockable

desk drawer. Per staff, the p-cards had to be readily accessible for emergency purposes at times when the card custodian was not in the office.

This is inconsistent with PM 12-02 which states that “p-cards should be in a locked location when not in use. Access to the location should be limited to those individuals who require access to the card.” When a procurement card is not properly secured, the risk that it could be stolen and used for unauthorized purchases increases.

Recommendation: Procurement cards should be kept in a secure location while not in use. Access to the location should be limited to those individuals who require access to the card. To properly secure the p-cards the keys to access the cards should be kept in locked and secure drawers. For p-cards with multiple users, we recommend the p-cards themselves be stored in a combination lockbox.

During the audit, a second key was made and given to the backup card custodian. Both the card custodian and the backup now keep the key on their person at all times. No follow-up is needed for this item.

3. Receiving Marketplace Purchases

For three of the fifteen FOCUS Marketplace transactions, there was no documented evidence that goods received were counted and compared to the packing slip and the original order. PM 12-16 requires that all agencies verify goods received against the packing list and the original order. The packing list should then be signed and dated to document proper receipt of goods.

Failure to review the items received and compare them against the packing slip and the original order could cause the department to pay for goods that were not actually received.

Recommendation: We recommend the receiving individual perform a review of items received against the packing slip and the original order. The receipt of the items must be documented by the receiver signing and dating the packing slip.

Management Response: An AAI (the receptionist or backup receptionist) will receive marketplace orders. Receipt of goods will be verified against the packing list and the original order. The packing list will be signed and dated to acknowledge accurate receipt.

The packing slip and the original order will be filed by the AAI (accounting) and reviewed at month-end reconciliation. Management anticipates completion of this item by May 15, 2015.

4. Procurement Card Transaction Logs

The p-card transaction log did not require the card user to physically sign when the card was checked in/out. The Office of the Commonwealth’s Attorney tracked the usage of the departmental p-cards including user names on an excel spreadsheet that

was located in a network folder. Lack of card user's signature while checking in/out the p-card decreases accountability for when the card is not in the possession of the card custodian.

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 fraud is increased. Since the bank does not offer as much fraud protection for departmental cards as named cards it is imperative to maintain adequate accountability of the possession and usage of the p-cards.

Recommendation: We recommend the Office of the Commonwealth's Attorney develop and implement a p-card transaction log template that requires each individual who uses the departmental p-card to physically sign the log.

During the audit a new procurement card log was put into use which requires the card user to sign their full name when signing the procurement cards in and out. No follow-up required for this item.

5. Water Purchases

The Office of the Commonwealth's Attorney purchased a monthly water service from Deer Park for use within the office during February 1, 2014, through January 31, 2015. Per the Department of Purchasing and Supply Management (DPSM) purchasing guidelines unless the water source of the office location is not potable, purchases of hot and cold water dispenser and bottled water for general use in offices are classified as personal in nature. The office is located within the County Courthouse, which is not an older building, thus the water provided should be adequate.

Recommendation: We recommend the Office of the Commonwealth's Attorney not use County funds to pay for the monthly cost to purchase bottled water.

Management Response: The Office of the Commonwealth's Attorney will close their account with Deer Park. On 4/24/15 the MAI contacted Deer Park to close their account. On 4/24/15, Deer Park cancelled all future deliveries. Deer Park informed that the "Fairfax" representative will contact the MAI by 4/28/15 to "officially" close the account and to schedule a pick-up time for the remaining bottles and the water cooler. Management anticipates completion of this item by May 15, 2015.

6. Card Limits

An analysis performed on card limitation controls for the Office of the Commonwealth's Attorney's cards for the period of February 2014, through January 2015, revealed that the monthly spending limit was set significantly higher than the actual usage for the CWA Grant card. The highest monthly spending for this card totaled \$2,357 and the monthly spending limit was \$20,000.

The county has limited dispute rights for fraudulent charges on work group cards and agencies are liable for fraudulent charges until such cards are reported to the bank as

lost or stolen. Setting the procurement card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

Recommendation: We recommend the Office of the Commonwealth's Attorney review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs.

During the audit, the card limit for the CWA Grant card was lowered and is now in line with the monthly spending habits of the department. No follow-up is needed for this item.