



Fairfax County Internal Audit Office

**Planning Commission
Business Process Audit
Final Report**

September 2015

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Planning Commission. The audit included review of procurement cards; FOCUS marketplace cards; and monthly reconciliations.

We noted the following exceptions where compliance and controls needed to be strengthened:

- The Planning Commission was not able to provide documentation that showed the performance of a monthly reconciliation where supporting documentation for expenditures was verified against data in FOCUS.
- The Departmental Reconciliation Plan (DRP) on file was not approved by the Department of Finance (DOF).
- Eight of the 20 sample p-card transactions did not have adequate supporting documentation on file. Additionally, supporting documentation was not complete for any of the five FOCUS marketplace samples reviewed.
- Travel authorization forms were not completed prior to overnight travel.
- Procurement card transaction logs were not adequately maintained for 18 of the 20 transactions tested, and the business purpose of seven of the 20 sample p-card transactions reviewed was not clear.
- Two inappropriate charges, totaling \$316.70, related to a retirement party were placed on the county p-card.
- Virginia sales tax, totaling \$17.49, was inappropriately paid on a number of the p-card transactions tested.
- There was no evidence that any of the p-card transactions reviewed were reclassified out of the Planning Commission's clearing account on a monthly basis.
- Receipt of goods ordered online using the p-card and the FOCUS marketplace was not properly documented.
- Transaction Detail Reports were not generated and reviewed weekly for a majority of procurement card and FOCUS marketplace sample transactions.
- None of the p-card users had a signed Employee Acknowledgement Disclosure Form (EAD) or a completed P-Card Training Certification Test on file.
- A signed Using Agency Director's Statement of Responsibility was not on file and had not been forwarded to the Department of Purchasing and Supply Management (DPSM).

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 Planning Commission'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 p-cards and FOCUS Marketplace that occurred during the period of April 1, 2014, through March 31, 2015. For that period, the department's purchases were \$7,876 for procurement cards and \$788 for FOCUS marketplace.

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. Monthly FOCUS Reconciliation

The Planning Commission was not able to provide any evidence that a monthly reconciliation was performed, where supporting documentation for expenditures was verified against data in FOCUS. Additionally, the Planning Commission did not adhere to their Departmental Reconciliation Plan (DRP).

Procedural Memorandum (PM) 12-02 states that: "Agencies are required to reconcile to FOCUS on a monthly basis." PM 12-16 provides that: "Each month the agency must reconcile transactions posted to FOCUS. Reconciliation paperwork should be signed and dated to provide evidence that the reconciliation was completed and approved, and that proper separation of duties controls are in place."

Furthermore, Accounting Technical Bulletin (ATB) 020 states: “County management has fiduciary responsibility, as custodians of public funds, to ensure the integrity of financial transactions posted to FOCUS. To ensure the integrity of the county’s financial records, county departments are responsible for performing monthly reconciliations on a timely basis at the transaction level. These reconciliations are to be carried out in accordance with a department reconciliation plan that has been approved by DOF.” ATB 020 also states that departments must “record completion of the monthly reconciliation on the Reconciliation Certification Form (ATB 020-A) and retain for audit review.”

Failure to perform and document a monthly reconciliation of expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: The Planning Commission should perform a monthly reconciliation of all transactions posted to FOCUS including p-card, FOCUS marketplace transactions and any future Non-PO payments or purchase order payments. Completion of the reconciliation should be documented using the Reconciliation Certification Form (ATB 020-A).

Management Response: The required training has been completed so that there are now individuals authorized to perform this function. Monthly reconciliation is now being completed by the Assistant Director and the Clerk to the Commission.

2. Departmental Reconciliation Plan (DRP)

A copy of the Departmental Reconciliation Plan was not submitted to DOF for approval before the March 2014 deadline.

ATB 020 requires that agencies: “Develop a reconciliation plan and department desk procedures outlining steps specific to your department’s reconciliation process that are not stated in this ATB and submit them to DOF for approval.” Failure to obtain approval of reconciliation procedures increases the risk of performing reconciliations inaccurately or incompletely, leading to an increased risk that erroneous or inappropriate charges go undetected. It also increases the risk that reconciliation procedures are not in compliance with county policy.

Recommendation: The Planning Commission should submit their Departmental Reconciliation Plan to DOF for approval.

During the audit, the Planning Commission submitted a copy of their Departmental Reconciliation Plan to DOF for approval. No management response is needed; however, IAO will follow up on this item.

3. Missing Documentation

A. Procurement Card Documentation

Of the 20 p-card transactions tested, eight did not have receipts or adequate alternate supporting documentation on file.

PM 12-02 states that: "If, for any reason, an original, alternate, or photocopied receipt is unavailable, a memorandum providing the purchase details and the reason why a receipt is not available must be included with the appropriate monthly statement or weekly transaction detail report."

Without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

B. FOCUS Marketplace Documentation

Of the five FOCUS marketplace transactions reviewed, three were not supported by packing slips and two were not supported by invoices.

PM 12-16 states that agencies must: "Retain all order and receipt documentation, such as copies of POs, order confirmations, packing lists (with agency notations of acceptance by signature and date), invoices and credit memos if available."

Failure to maintain complete documentation for FOCUS marketplace orders increases the risk of inappropriate purchases going undetected, prevents accurate reconciliation of transactions, and increases the risk of inadequate separation of duties going undetected.

Recommendation: The Planning Commission should ensure sufficient receipt documentation, as specified by PM 12-02 and PM 12-16, is maintained on file.

Management Response: Documentation as required by PM 12-02 and PM 12-16 will now be maintained in the appropriate file and verified by the budget manager.

4. Travel Authorization Forms

During the period of April 1, 2014, through March 31, 2015, Planning Commission staff traveled to Richmond and stayed overnight on three separate occasions. A Travel Authorization Form was not completed for any traveler prior to any of these trips.

PM 06-03 states: "When official business requires that the traveler stay overnight, the traveler shall follow the procedures for Non-Local Travel." Additionally, PM 06-03 states: "A completed Travel Authorization Form is required for all non-local and overnight travel including trips where the procurement card is used for any or all expenses."

Failure to complete a travel authorization form prior to incurring expenses for overnight business travel increases the risk of inappropriate or unauthorized travel.

Recommendation: Prior to any non-local travel, a Travel Authorization Form should be filled out and approved by an authorized approver. This documentation should be maintained on file with all additional supporting documentation for the trip.

Management Response: Travel Authorization Forms will be prepared and approved by an authorized approver in advance of any future travel. Documentation will be maintained on file with all additional supporting documentation. Management anticipates immediate completion of this item.

5. Procurement Card Transaction Logs

A. Recording Transactions in P-Card Transaction Log

Of the 20 p-card transactions reviewed, only two were logged in the p-card transaction log. PM 12-02 states that: “A system that tracks possession of the p-cards and records p-card purchases as they occur must be in place. Agencies may use a manual or electronic log to record both debit and credit transactions. Entries must be contemporaneous so that they provide up-to-date information on funds expended and should identify the card user.”

Failure to maintain an accurate and complete p-card transaction log reduces accountability in the event that a card is lost or inappropriate charges are placed on the card.

B. Documenting Business Purpose of P-Card Transactions

The business purpose was not clear and not documented for seven of the 20 sample p-card transactions reviewed. These transactions included purchases at Wal-Mart, Harris Teeter, and Staples. The transactions were not logged and there was no original documentation or adequate alternate supporting documentation on file.

PM 12-02 states: “The business purpose of the goods or services should be clearly documented if it is not readily apparent.” Failure to clearly document the business purpose of p-card transactions decreases accountability for purchases and increases the risk of bad publicity for the county.

Recommendation: The Planning Commission should ensure all p-card transactions are accurately logged. The log should reflect all p-card activities as well as the business purpose of each p-card transaction if it is not readily apparent, as required by PM 12-02.

Management Response: A new log has been prepared and all transactions are now placed in the log with signatures by the p-card manager. All transactions

are now and will continue to be documented appropriately with their intended business purpose.

6. Inappropriate Procurement Card Purchases

During the period of April 1, 2014, through March 31, 2015, two purchases totaling \$316.70 were placed on the county p-card for a retirement party. A retirement gift from *Things Remembered* was purchased for \$77.38 and party invitations were purchased from *Vistaprint* for \$239.32. There was no documentation on file for these transactions and the transactions were not logged.

DPSM guidance provides that purchases for retirement parties are prohibited and considered personal in nature. Additionally, Memorandum No. 18 states that any departmental award may not exceed \$50 in value.

Recommendation: The Planning Commission should review all county purchasing guidance and procedural memoranda to become familiar with allowable and disallowable purchases. Purchases of prohibited goods or services should not be placed on the county p-card.

Management Response: The policies have been read and understood by all involved staff members. Purchases are now and will continue to be completed in accordance with policies.

7. Sales Tax Exemption

Virginia sales tax totaling \$17.49 was paid on five of the eight p-card transactions tested that were eligible for a sales tax exemption. Utilization of the county's Virginia sales tax exempt status could only be verified for 12 of the 20 sample transactions that were supported by a receipt or invoice.

PM 12-02 states: "Most county purchases are exempt from Virginia state sales tax. When making a p-card purchase, users should remind the vendor of our tax exempt status and examine the receipt to verify sales tax was not charged."

Failure to ensure sales tax was not charged on exempt purchases can lead to inappropriately spent county funds.

Recommendation: The Planning Commission should ensure card users are aware of the sales tax exemption for goods and services purchased in Virginia. Vendors should be reminded of the county's tax exempt status and receipts should be examined to verify sales taxes were not charged. If sales tax is inappropriately charged, the Planning Commission should seek reimbursement.

Management Response: Card users are aware of the sales tax exemption and will now ensure the use of the County's tax exempt status.

8. P-Card Clearing Account

The Planning Commission was not able to provide evidence that any of the p-card transactions tested were reclassified out of the p-card clearing account.

PM 12-02 states: "If transactions post to a clearing account (general ledger 544540), the agency is required to clear all charges and credits to the proper expenditure account within one month."

Failure to properly reclassify procurement card expenses misstates departmental financial reports, increasing the risk of management making decisions based on inaccurate financial information.

Recommendation: Transactions posted to p-card clearing account 544540 should be reclassified to the proper expenditure account within 30 days of the posting date.

Management Response: Required general ledger training is scheduled for August 18 and 19. Following that training, the agency will have the necessary authorized individuals to complete the reclassification of transactions in the p-card clearing account to the proper expenditure account. Management anticipates completion of this item by September 1, 2015.

9. Receipt of Ordered Goods

Of the five online p-card orders included in the audit sample, and the five FOCUS marketplace orders reviewed, none were supported by documentation that verified receipt of the ordered goods.

PM 12-16 states: "...proper receiving procedures should be developed and followed by all agency staff. 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. Packing lists should be retained with the order documentation."

Failure to properly document receipt of ordered goods prevents the assurance of an adequate separation of duties and increases the risk of paying for items that were not actually received.

Recommendation: The Planning Commission should ensure that the receipt of all ordered goods is adequately documented. If a packing list is not included with the shipment, receipt of the ordered goods should be documented on the invoice. All receiving documentation should be maintained on file with the supporting documentation for the transaction.

Management Response: Receipt of all ordered goods is now adequately documented. Any packing slips, invoices, or other receiving documentation are now maintained in a file and verified by the budget manager.

10. Weekly Review of Transaction Detail Reports for P-Card & FOCUS Marketplace

The weekly Transaction Detail Reports were not generated or reviewed for 13 of the 15 weeks tested in the p-card sample and the FOCUS marketplace sample.

PM 12-02 states: "Each week the agency is required to prepare p-card transaction detail reports showing all transactions from the prior week for both general use p-cards and FOCUS marketplace p-cards. The agency must review the reports in a timely manner, as prompt review is vital to detection of erroneous or fraudulent charges."

PM 12-16 states: "Performing weekly reviews 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 consistently generate and review Transaction Detail Reports weekly increases the risk of inappropriate or unauthorized charges going undetected.

Recommendation: The Planning Commission should consistently generate and review the Transaction Detail Report for each agency p-card and the FOCUS marketplace card on a weekly basis. The report should be initialed and dated to ensure that the report was reviewed in a timely manner. It was noted that the Planning Commission began running the Transaction Detail Reports more regularly in 2015.

Management Response: Transaction Detail Reports are now and will continue to be printed every Monday and signed by the p-card program manager and budget manager.

11. Employee Acknowledgement Disclosure Form & P-Card Certification Test

The Planning Commission was not able to provide evidence that any of the agency p-card users had a signed and dated the Employee Acknowledgement Form (EAD) form or a completed P-Card Training Certification Test on file prior to the start of the audit.

PM 12-02 states: "All first time p-card users must sign an Employee Acknowledgement Disclosure Form after taking the online Procurement Card User Training...and passing the certification test. The completed test should then be attached to the EAD form."

Card use by staff who have not signed the EAD form or completed the P-Card Training Certification Test increases the risk of purchases made by improperly trained staff who are not aware of their responsibilities.

Recommendation: The Planning Commission p-card program manager should maintain an EAD form and a P-Card Training Certification Test on file for all p-card

users. The p-card program manager should maintain the signed forms and completed tests for at least two years following an employee's departure from the agency.

Note: During the audit, the Planning Commission provided a signed and dated EAD form and completed P-Card Training Certification Test for each p-card user. No management response is needed for this item.

12. Using Agency Director's Statement of Responsibility

The Planning Commission did not have a signed Using Agency Director's Statement of Responsibility form on file and did not forward the signed form to DPSM prior to the audit.

PM 12-02 states: "This statement acknowledges the director's responsibility for the agency's proper use of the p-card. The agency director is required to sign this form prior to the agency's initial participation in the p-card program. When the director leaves the agency, the Program Manager should have the new director sign the form and forward the original to DPSM."

Failure to have a signed Using Agency Director's Statement of Responsibility on file decreases accountability and increases the risk of operating the p-card program outside of county guidelines.

Recommendation: The Planning Commission should forward a signed and dated Using Agency Director's Statement of Responsibility to DPSM and maintain a copy of the form on file.

Note: During the audit, a signed and dated Using Agency Director's Statement of Responsibility was forwarded to DPSM. No management response is needed for this item.