



Chesterfield County, Virginia Internal Audit

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GREG L. AKERS
Director

DATE: June 14, 2016

TO: James J.L. Stegmaier
County Administrator

FROM: Greg L. Akers 
Director of Internal Audit

SUBJECT: Management Services Deputy County Administrator's Expenditures Audit

The Office of Internal Audit completed an audit of Management Services Deputy County Administrator's Expenditures, and the final report is attached.

We would like to thank Dr. Sheryl Bailey, Debbie Newcomb, Patsy Brown, and Consuela Wilson for their cooperation and assistance during this audit.

Attachment

Copy: Dr. Sheryl Bailey, Deputy County Administrator for Management Services
Patsy Brown, Director of Accounting



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Management Services Deputy County Administrator's Expenditures

June 14, 2016



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Highlights

Internal Audit Report to the Board of Supervisors/School Board

Management Services Deputy County Administrator's Expenditures



Why We Did This Review

Internal Audit conducted this review as part of our FY15 audit plan approved by the County Administrator and School Board Superintendent.

The audit focused on reviewing Management Services Deputy County Administrator's non-payroll expenditures in FY15 (as of March 31, 2015) for compliance with County Administrative Policies and Procedures. In particular, our objectives were to:

- Test for potential duplicate payments and split purchases.
- Test travel and training expenditures.
- Test wireless devices and non-cash awards.
- Report results to the County Administrator.

What We Recommend

We recommended Accounting:

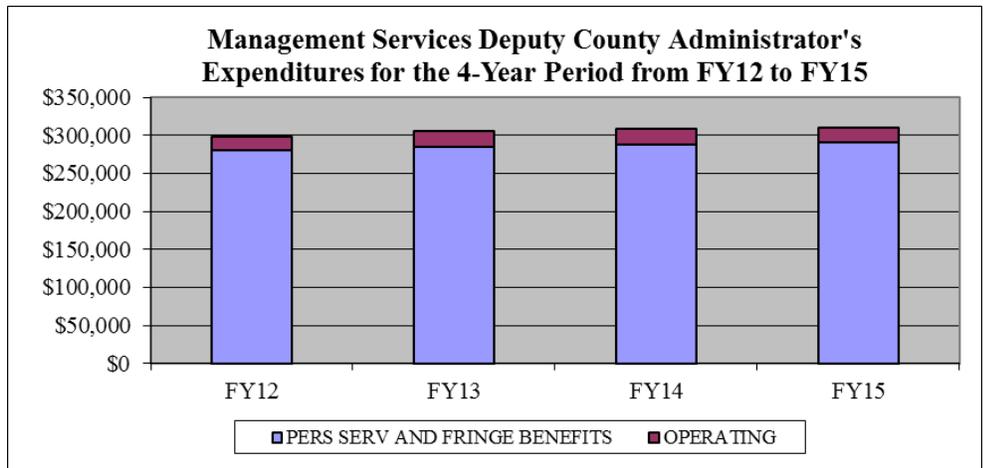
- Ensure the current IFAS system accesses that are granted for each department are accurately reflected in the separate IFAS Users Security database.
- Continue to explore options to provide financial system user access reporting directly from the application, which would improve reporting accuracy, efficiency, and overall security.



For more information, please contact Greg L. Akers, at 804-748-1240 or akersg@chesterfield.gov

What We Found

For FY15, department expenditures totaled \$309,896 including operating expenditures of \$19,317. As shown in the chart below, there has been a minor (3.85%) increase in expenditures over the past 4 years. Expenditures have experienced fluctuations each year (ranging from a 2.61% increase to a 0.33% increase) from FY12 to FY15.



Commendation

We commend Management Services Administration as all expenditures traced and agreed to supporting documentation, followed proper purchasing/County procedures, were for legitimate County business, and there were no split purchases or duplicate payments.

Non-Payroll Expenditures

The following audit testing was performed for FY15 (as of March 31, 2015), and the following was noted:

- All 25 expenditures tested traced and agreed to supporting documentation, followed proper purchasing procedures, and were for legitimate, reasonable County business.
- No duplicate payments or split purchases were found.
- According to the IFAS User Financial Security Verification Reports first provided by Accounting, 5 of 9 (56%) purchase orders tested appeared to have been approved by an unauthorized individual. The individual had the appropriate authority; however, it was not correctly documented in the report.

Management concurred with 2 of 2 recommendations to be implemented immediately.

We appreciate the cooperation received from management and staff while conducting this audit.

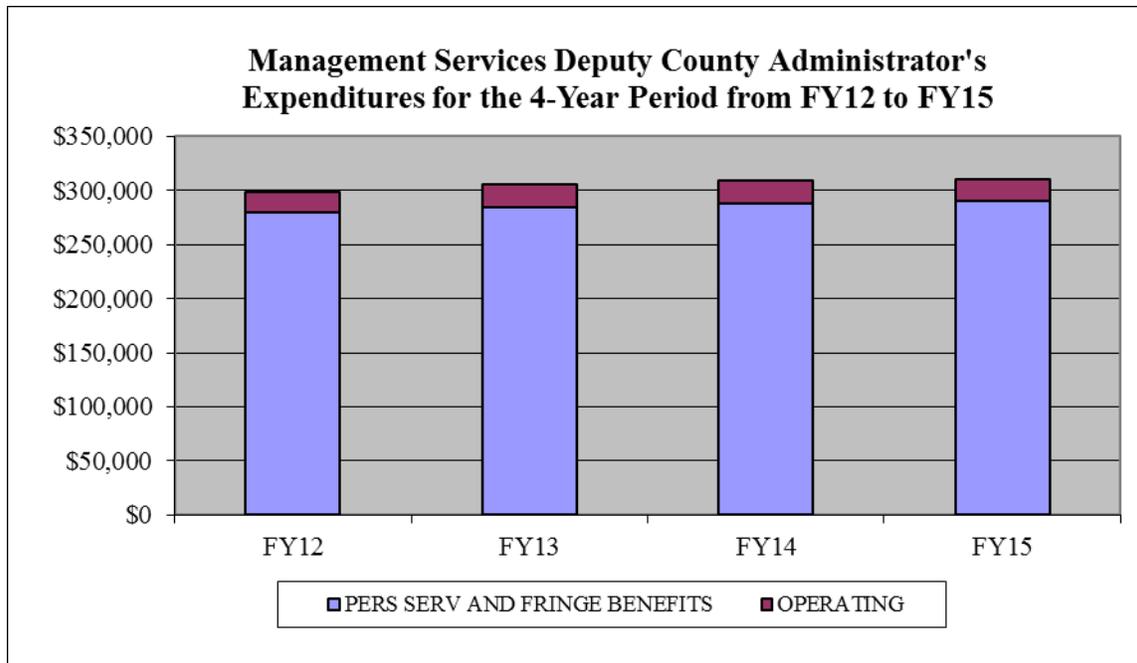
INTRODUCTION

BACKGROUND

This audit was included in the FY15 Audit Plan as a regularly scheduled audit. Management Services Administration provides leadership, coordination, and direction for the entire division. Management Services Administration promotes the County vision, mission, and strategic goals by focusing attention on customer service, designating systems to enhance productivity and responsiveness, challenging employees to reach higher levels of learning and performance, and recognizing accomplishments. The Management Services Departments provide day-to-day operational support for all County and School functions.

The Deputy County Administrator for Management Services oversees the operations of the Accounting, General Services, Information System Technology (IST), Internal Audit, License Inspections, Purchasing, Real Estate Assessments, and Risk Management Departments. The Deputy also serves as liaison for the Constitutional Officers, Courts, and Registrar. Management Services has 2 full-time employees.

For FY15, department expenditures totaled \$309,896 including operating expenditures of \$19,317. As shown in the chart below, there has been a minor (3.85%) increase in expenditures over the past 4 years. Expenditures have experienced fluctuations each year (ranging from a 2.61% increase to a 0.33% increase) from FY12 to FY15.



OBJECTIVES

Objectives of the audit were to:

- Review non-payroll and non-capital expenditures for compliance to policies and procedures.
- Test for potential duplicate payments and split purchases.
- Test travel and training expenditures.
- Test wireless devices and non-cash awards.
- Report results to the County Administrator.

SCOPE

Our audit work covered transactions processed in FY15 (as of March 31, 2015).

We considered the following County Administrative Policies and Procedures:

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|---|--|
| Accounting 1-1: Travel Policy | Accounting 1-5: Bill Approval, Documentation and Payment |
| Accounting 1- 15: Purchasing Card Policy | Accounting 1-19: In Focus Security and Responsibilities |
| HRM 6-14: Employee Recognition Program | IST 7-11: Wireless Device Policy |
| Purchasing 12-1: Authority and Responsibility | Purchasing 12-3: Purchasing Cycle |
| 12-6 Exemptions | Purchasing 12-7: Delegated Purchasing Authority |
| Purchasing 12-9: Blanket Purchase Orders | Purchasing 12-10: Small Purchase Procedures |

We conducted this performance audit 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. Stephanie Bookheimer, Staff Auditor performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Internal Audit performed an analytical review of expenditure data, tested a sample of non-payroll expenditures including travel and credit card purchases, and reviewed for compliance with County Administrative Policies and Procedures.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place and there were minimal findings to question their ability to assist management in meeting its mission, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

CLOSING

We would like to thank Management Services Administration and the Accounting Department for their cooperation and assistance during the course of this audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Non-Payroll Expenditures

(Point Sheet C-1.1)

CRITERIA:

County Administrative Policy 1-5: Accounting – Bill Approval, Documentation, and Payment outlines the procedures for bill approval, documentation, and payment for goods or services. The policy includes the following requirements: maintaining supporting documentation for all expenditures, using proper procedures and tax exemptions, and creating and approving invoices through authorized personnel. It also describes the policy against split purchases and duplicate payments.

County Administrative Policy 12-7: Purchasing - Delegated Purchasing Authority outlines the procedures for delegated purchasing authority for transactions of \$5,000 or less. The policy includes, but is not limited to, the following requirements: using departments/schools shall not split orders to keep the dollar level of several orders below \$5,000 to avoid sending a requisition to Purchasing.

County Administrative Policy 1-19: Accounting – In Focus Security and Responsibilities outlines the responsibilities to ensure that there is ownership and security around the processes related to the In Focus Accounting System (IFAS). The policy includes responsibilities for the user Department Head, In Focus Support Team, Department Security Liaison, and In Focus Users.

- Some of the responsibilities for the Department Head include ensuring there are processes in place within their department to identify the appropriate personnel as In Focus users, identifying who can create transactions and who can approve them at the prescribed dollar thresholds, and ensuring staff is properly trained for their responsibilities.
- Some of the responsibilities for the In Focus Support Team are providing support for In Focus user issues and questions, and maintaining security documentation that identifies authorized users and their authorized functions and approval authority and monitor user accounts to ensure that system access is controlled and appropriate.

CONDITION(S):

Audit testing was performed for FY15 (as of March 31, 2015), and the following was noted:

- All 25 expenditures tested traced and agreed to supporting documentation, followed proper purchasing procedures, and were for legitimate, reasonable County business.
- No duplicate payments or split purchases were found.
- According to the IFAS User Financial Security Verification Reports first provided by Accounting, 5 of 9 (56%) purchase orders tested appeared to have been approved by an unauthorized individual.

FINDINGS, RECOMMENDATIONS, RESPONSES

Non-Payroll Expenditures

(Point Sheet C-1.1 Continued)

CAUSE(S):

- Management Services Administration performed expenditure related tasks appropriately by following administrative policies and procedures.
- Accounting IFAS User Financial Security Reports are not generated directly from the application. Accounting maintains a separate database of user access levels. In Focus Support Team had updated IFAS to grant this individual access to approve purchase orders, but failed to update the separate IFAS User Financial Security database which produces the reports.
- The Accounting Department sends the IFAS User Financial Security Reports to each department bi-annually for updates. At least twice Management Services had included this individual on the IFAS User Financial Security Verification Report and returned it to the In Focus Support Team.

EFFECT(S):

- Management Services Administration complying with administrative policies and procedures helps the County achieve its goal of being a model for excellence in government.
- Accounting not timely updating the IFAS User Financial Security Verification Reports gave the impression that the 5 purchase orders were approved by an unauthorized individual. Once Accounting was made aware that these reports had not been updated they promptly corrected the error.

COMMENDATION(S):

We commend Management Services Administration as all expenditures traced and agreed to supporting documentation, followed proper purchasing/County procedures, were for legitimate County business, and there were no split purchases or duplicate payments.

RECOMMENDATION(S):

1. We recommend that Accounting ensure the current IFAS system accesses that are granted for each department are accurately reflected in the separate IFAS Users Security database.
2. We recommend that Accounting continue to explore options to provide financial system user access reporting directly from the application, which would improve reporting accuracy, efficiency, and overall security.

FINDINGS, RECOMMENDATIONS, RESPONSES

Non-Payroll Expenditures

(Point Sheet C-1.1 Continued)

MANAGEMENT'S RESPONSES(S):

- 1. Concur. Consuela Wilson, Automation Coordinator has implemented the recommendation. There was a vacancy in the part-time position with primary responsibility for maintaining financial system user security for the workflow models in the In Focus Security Database used to track over 1200 employee ids in more than 2500 workflow roles for the In Focus system. Staff updated the In Focus system correctly when the change was received, however they did not complete the follow-up change to the Security Database. Prior to training a new part-time employee on In Focus financial system user security, processes were reviewed and revised which should limit the opportunity for a similar failure to occur in the future.*
- 2. Concur. Consuela Wilson, Automation Coordinator has implemented the recommendation. Accounting has explored options to provide financial system user security access reporting directly from the application. Both IFAS and ONESolution, the application that replaces IFAS as part of the vendor's migration path, do not store all of the fields needed to provide reports to manage financial system user access effectively and efficiently. There is not information stored to provide departments with meaningful user verification periodically, which is considered a best practice. We believe changing the system would require a fairly significant amount of funding, Accounting and IST work effort, and vendor agreement to add new user access fields would be required to modify the vendor's delivered database for all clients. The County lags behind 2 – 3 years in implementing major system upgrades, thus it would take 3 - 4 years to receive benefits from an investment of money and time in this system change if the vendor agreed to make the change. From an ROI perspective, it is difficult to see how there would be payback from this type of investment of funding and staff resources.*