

**REDACTED PURSUANT TO CODE OF VIRGINIA  
SECTION 2.2-3705.2(2)&(14) (IT SYSTEMS SECURITY)**

# **Internal Audit Report on Agency Head Turnover- Information Technology Revenues & Expenditures**

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## **County of Henrico**



*Proud of our progress;  
Excited about our future*

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**Internal Audit Report #271  
May 1, 2019**


HENRICO COUNTY INTERNAL AUDIT  
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# Internal Audit Report on Agency Head Turnover - Information Technology Revenues & Expenditures




Report #271  
May 1, 2019

1




## Summary

- Scheduled Audit
- Conclusions on Audit Objectives (refer to Slide 15)
- Exception Oriented
- 6 reportable Issues and 6 Other Observations
- Management Action Plans have been developed to address all risks identified
- Control improvements implemented during the audit.




Henrico County Internal Audit

2




# Contents

- Introduction and Background
- Scope, Internal Controls and Methodology
- Conclusions on Audit Objectives
- Issues and Management Action Plans
- Closing and Report Distribution




Henrico County Internal Audit 3

3




# Introduction

- Auditor III, Sharon Cherry, performed audit work
- Used professional auditing standards
- Examined controls & tested for selective compliance
- All exceptions given to Agency
- Reported control design issues & significant test exceptions only
- Work for same Government we audit



Henrico County Internal Audit 4


4



## Background

Agency Head Turnover:


- FY18 Agency Head Retirements:
  - Public Relations & Media Services (1/22/18)
    - Last expenditure audit (FY15 & FY16) issued 3/10/16
  - Information Technology (3/30/18)
    - Last expenditure audit (FY02) issued 11/7/02
  - Public Libraries (6/29/18)
    - Last expenditure audit (FY12) issued 4/16/13
- Decision to focus on IT Revenues and Expenditures was made based on:
  - Expenditures not audited in approximately 16 years
  - Staff member responsible for processing/approving IT's transactions was not in that role at the time of the last expenditure audit. Responsible staff at other agencies had not changed since last audit.
  - IT's Petty Cash Fund was closed 2/28/18 after the current Agency Head took over the position on 2/17/18 (prior to the former Director's departure)
  - Each year-end, petty cash and change funds are certified by the custodians and agency heads and are then confirmed to Accounting. (A reason for not selecting parts of Libraries' operations)



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5

5



## Background


The Information Technology (IT) Department is responsible for handling computer-related information processing needs of County agencies including:

- Selection of information and office automation equipment
- Development of applications and/or software selection assistance
- Ongoing maintenance of hardware and software
- Development and support of data and telecommunications network
- Operation of a Computer Data Center and Help Desk
- Administration and maintenance of the County's:
  - security cameras
  - audio-visual core equipment
  - Telecommunications infrastructure (i.e. telephone systems; mobile devices; voice and data plant)
- Maintenance and support of Public Safety's Emergency E-911 System
- Management of the County's Geographic Information System (GIS)

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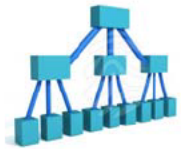
6

6



## Background


IT is organized into [REDACTED] Project Management Teams (PMT) as follows:



Henrico County Internal Audit

7

7



## Background

### FY18 Budget vs. Actual Revenues/Expenditures


	Approved Budget	Revised Budget	Actual Revenues/Expenditures
Revenues	(\$893,900)	(\$893,900)	(\$40,000)
<i>Expenditures</i>			
Personnel	\$9,994,002	\$9,994,002	\$9,729,785
Operating	\$4,052,806	\$4,750,156	\$3,772,306
Capital Outlay	\$522,215	\$763,527	\$704,964
<i>Total General Fund</i>	\$14,569,023	\$15,507,685	\$14,207,055
Gen. Capital Projects Fund	\$1,847,000	\$7,961,028*	\$2,173,328
<i>Total IT</i>	\$16,416,023	\$23,468,713	16,380,383

\* Significant increase relates to the Data Center Upgrade project, land management system replacement, GIS and other IT projects.

Henrico County Internal Audit

8

8



## Background

### FY18 Revised Budget Highlights

General Fund Revenues – (\$893,900)

- Charges for IT services provided to other entities/agencies

General Fund Expenditures - \$15,507,685:


- 64% relates to personnel.
- 18% is associated with the purchase of computer software.
- 5% is budgeted for new and replacement computer equipment
- 2% relates to maintenance service contracts for E-911 and Emergency Notifications Systems

General Capital Projects Fund Expenditures- \$7,961,028:

- 37% is budgeted for replacement of the land management system
- 35% relates to IT projects
- 20% is associated with the Data Center Upgrade project
- 8% is budgeted for the Geographical Information System (GIS)

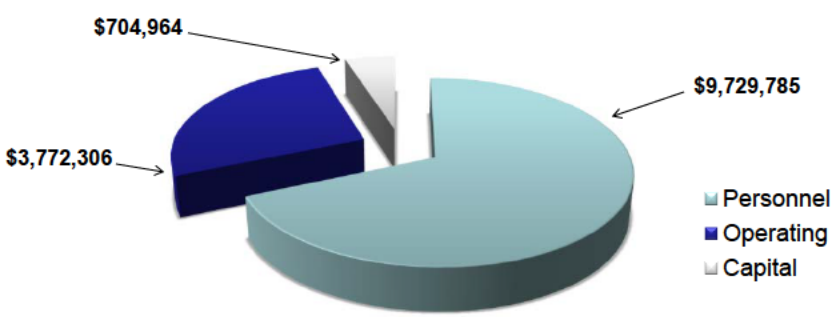
Henrico County Internal Audit 9

9



## Audit Scope

### FY18 Actual General Fund Expenditures




Category	Amount
Personnel	\$9,729,785
Operating	\$3,772,306
Capital	\$704,964

**FY18 Actual expenditures General Capital Projects Fund - \$2,173,328**  
**FY18 Actual revenue - \$40,000**  
**Total Capital Assets at 9/4/18 - \$8,777,297**

Henrico County Internal Audit 10

10



## Audit Scope

**Includes:**

- FY18 IT expenditure transactions in the General Operating and General Capital Projects Funds
- FY18 IT revenues (charges for services)

*NOTE: The current Director assumed his new role effective 2/17/18 which provided a period of overlap before the former Director retired on 3/30/18.*

**Excludes:**

- Telecommunications Inter-Departmental billings and Accounts Receivable subject to testing as a part of Audit #269. (This includes all telecommunication vendors whose charges are distributed among other departments.)
- IT regular pay transactions in Oracle HRMS given established controls
- Kace System used as a tool for asset order requests and the related approvals
- Other IT processes and systems that are not a part of the expenditure transaction cycle

Henrico County Internal Audit 11

11




## Internal Controls Objectives

- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of assets
- Effectiveness and efficiency of operations



Henrico County Internal Audit 12


12



## Internal Controls Cont'd


### *General Limitations of any Controls*

- Errors and irregularities may go undetected
- Inherent limitations in any control structure
- Limitations include resource constraints, legislative restrictions, etc.
- Projection to future subject to risk of change in effectiveness
- Compliance may deteriorate




Henrico County Internal Audit 13

13




## Audit Methodology

- Analyzed and categorized the expenditure data
- Walked through certain expenditure-related processes and controls
- Evaluated the reasonability of revenue (charges for services) calculations
- Randomly sampled recorded transactions and traced to supporting documents for accuracy and compliance with policy
- Confirmed existence of a random sample of capital assets



Henrico County Internal Audit 14

14




## Conclusions on Audit Objectives

Rating	Audit Objective	Issues/Other Obs. Identified
▲	A. Determine that controls exist and are operating effectively to ensure compliance with policies and procedures related to revenues and non-personnel expenditures, including travel.	Issues 1, 2, 3, 5 & 6; Other Obs. 1 & 3
▲	B. Determine that controls exist and are operating effectively to ensure Agency Head transactions are properly approved.	Issues 2 & 5
▲	C. Determine that controls exist and are operating effectively to ensure compliance with personnel expenditures other than regular pay (i.e. OT, temporary services, etc.).	Other Obs. 5
▲	D. Determine that adequate controls exist over fixed assets and certain valuable property that is below the capital assets threshold.	Issue 4; Other Obs. 1 & 2
▲	E. Determine that adequate controls exist over other miscellaneous transactions (IDT's, CAM, AR, PIV Imports, Internal Charges, Spreadsheet and Manual journal entries).	Other Obs. 1, 4 & 6

● **Insufficient-Immediate Attention**    
 ▲ **Improvement Needed**    
 ■ **Sufficient**

Henrico County Internal Audit 15

15




## Issues

1. Code Transactions to the Proper General Ledger Account
2. Enhance Controls Over the Processing of Travel Expenditures
3. Properly Procure Goods & Services
4. Confirm Capital Assets Yearly & Maintain Capital Asset Information Forms
5. Strengthen Controls Over the Processing of Non-Personnel Expenditures
6. Augment Invoice Processing Controls to Prevent Duplicate Payments

Henrico County Internal Audit 16

16



# Issues

Other Observations:

1. Perform Periodic & Detailed Oracle Access Reviews
2. Establish Policies for Assets Under the Capital Asset Dollar Threshold
3. Document Support for the Calculation of IT Service Chargebacks
4. Review Monthly CAM Reports
5. Augment Overtime Approval & Payment Controls
6. Create Efficient Microsoft O365 Reconciliation Process


Henrico County Internal Audit

17

17


## Issue 1

# Code Transactions to the Proper General Ledger Account



18

18



## Condition Issue 1


A review of 35 direct payments, 26 payments against purchase orders, including one paid from the Technology Replacement Fund, 16 travel expenditures, 11 purchasing card and 5 Finance credit card transactions and 7 spreadsheet (ADI) entries, revealed 43 instances where the incorrect GL account code was selected. In an additional case, \$1,526 of a \$3,156 invoice for cabinet space and power at a disaster recovery site appears to have been incorrectly paid against a PO related to training and, thus, was coded to the incorrect GL account.

Furthermore, during a review of FY18 revenue transactions related to the Interdepartmental Agreement Between CRWP and IT for IT support services, we noted \$20,000 was posted against the Education and Training and Tuition expense accounts during the first 4 months of FY18. Both accounts would have been over-budget if this revenue had not been netted against expenditures. The remaining \$40,000 of the contractual \$60,000 (\$5,000 per month in FY18) was properly posted to the revenue account in IT's cost center.

*See Slide 71 for control improvement 1 related to the recording of revenue for IT services provided to DPU which was implemented during the audit.*

Henrico County Internal Audit 19

19




## Effect Issue 1

The potential for:

1. unnecessary budget transfers if invoices are not charged to the correct GL accounts
2. improper budgeting in the future if it is based on past activity
3. inaccurate financial reporting related to miscoded transactions which could result in ineffective management decision-making

Henrico County Internal Audit 20

20



**Issue 1**

## Cause


Unfamiliar with County policies and Finance guidance regarding the proper coding of accounting transactions

## Criteria

Henrico County Revised Budgetary Chart of Accounts Descriptions effective 1/14/16

Henrico County Internal Audit 21

21




**Issue 1**

## Recommendation

1. Invoices should be coded to the proper GL expenditure account as described in the County's guidance document.
2. IT management should ensure that charges for IT services are posted to the proper revenue account.

Henrico County Internal Audit 22

22


Issue 1

## Management Action Plan

#	Management Action Plan	Completed By	Date
1.1	A copy of the "Revised Budgetary Chart of Accounts" has been provided to the IT Department Administrative staff. The same document will be provided to the new IT Business Manager upon their hiring. In addition, the new IT Business Manager will be developing formal internal procedures for oversight to ensure that purchases are coded to the correct GL codes, in the future. In addition, as all purchases are subject to approval and oversight of the IT Director, the IT Director will be submitting the GL code by which all approved purchases will be drawn against as part of the overall purchase approval process.	IT Director; IT Business Manager	7/15/19
1.2	Will work with OMB and Accounting to ensure that the agreed upon annual support billing to CRWP and DPU is properly posted to the correct GL account going forward.	IT Director	7/25/19

Henrico County Internal Audit

23

23


Issue 2

## Enhance Controls Over the Processing of Travel Expenditures



24

24




## Condition Issue 2

We tested 16 expenditures coded to the travel account [12 transactions used travel forms (2 of which related to the same trip), 4 of which were travel advance payments] and one payment to the Assistant Director of IT and noted the following:

1. In six of 11 instances, (55%) a conference/training class agenda was not attached. In one of these cases, the travel purpose on the T-1 Form just stated "Conference".
2. In six of 11 cases (55%), travel forms were not properly completed and signed in a timely manner.
3. In three of 14 instances (21%), the proper travel forms were not utilized to pay a travel-related bill. In the first case, a travel expenditure (hotel bill) over \$300 was paid without utilizing the T-1, T-2 and T-3 Forms or Travel Justification Addendum. In the second case, a travel expenditure (seminar/training class) under \$300 was not supported with a Travel Justification Addendum. In the third case, a Travel Justification Addendum was not completed to document an \$8 reimbursement for parking. Therefore, the purpose of these trips/training classes was not documented to support the appropriateness of the travel expenses.

Henrico County Internal Audit 25

25




## Condition Issue 2

4. In two of 11 instances (18%), the actual expenditures portion of the T-1 Form and the T-2 Form were signed by another member of the management team for the agency head.
5. In two of 11 cases (18%), Accounting personnel corrected and reduced the amount due the traveler by \$273 before the check was cut.
6. Ten direct payments related to prepayments were tested and, in one case (10%), there was no indication how a hotel deposit of \$120 was paid as the payment method was not properly referenced on the travel document. Follow-up revealed that the traveler paid for the hotel deposit on a personal credit card and erroneously put the deposit amount in the Prepayment column of the T-1 Form. As a result, he did not get reimbursed for this amount.
7. In one case (14% of 7 travel forms tested where airfare was purchased), the airfare was purchased the day before the agency head signed off on the T-1 Form estimated expenses.

Henrico County Internal Audit 26

26



**Issue 2**


## Effect

The potential for:

1. Unnecessary travel if not properly approved and documented
2. Improper reimbursements to the traveler
3. Travel advance money due the County not being properly and/or timely repaid
4. Denial of the reimbursement to the traveler if the appropriate travel forms are not properly completed and approved and the required documentation is not attached to these forms
5. Non-compliance with County policy
6. Public scrutiny as agency head transactions that are not properly documented and approved could appear to be improper

Henrico County Internal Audit 27

27



**Issue 2**

## Cause


Not familiar with the County's Travel Policies and Procedures

## Criteria

County of Henrico Travel Policies & Procedures effective 10/1/15

Henrico County Internal Audit 28

28




## Issue 2

# Recommendation

1. All IT staff members who travel and members of management who approve travel estimates and actual expenses should be retrained on the requirements set forth in the County's Travel Policies and Procedures.
2. Processes should be implemented to confirm that each exception area noted is addressed going forward including:
  - proper and timely completion of travel forms
  - required supporting documentation is attached
  - travel forms properly signed and approved
  - requesting reimbursement for the correct dollar amount
  - considering utilizing the Travel Checklist to help ensure conformance with travel documentation and other requirements

Henrico County Internal Audit 29

29



## Issue 2

# Management Action Plan

#	Management Action Plan	Completed By	Date
2.1- 2.2	On 8-April-2019 @ 3:45pm, an email reminding all IT supervisors and management of county travel policies and procedures (and the link to the page) was sent. The email explained that no travel will be approved going forward unless these policies and procedures (before, during, and after) are followed exactly according to policy. We will continue to enforce the county's overall travel policy going forward and we will send reminder emails of the travel policy and procedures to all supervisors and management every six (6) months. We will also contact Accounting to schedule travel training for applicable members of IT management. IT Director will ensure all pre-travel and post-travel documentation is in place prior to approvals and signatures. A draft internal procedure document on IT-specific Travel requirements has been developed and is currently under review.	IT Director	10/8/19

Henrico County Internal Audit 30

30

**Issue 3**

# Properly Procure Goods & Services



31

31

**Issue 3**

# Condition



A review of 35 direct payments, 26 payments against purchase orders (PO), including one paid from the Technology Replacement Fund and 11 Purchasing Card and five Finance credit card transactions revealed 18 instances (23%) where the procurement of goods/services was not made in accordance with State requirements and applicable County policies and procedures as follows:


1. the purchase should have been made against a PO as there was a State or County contract in effect, or
2. it appears a contract should have been in effect, or
3. the entire invoice amount was not paid against the PO

Additionally, we reviewed all direct payment expenditures that exceeded \$7,500 to ensure proper procurement and payment in accordance with State and County regulations. We noted two check payments for \$94,111 and \$147,148 which were subsequently voided and paid via a wire transfer. This total payment of \$241,259 was the first rental payment due as a part of a lease purchase agreement which should have been made against a PO.

Henrico County Internal Audit

32

32



**Issue 3**

## Effect

The potential for:


1. overpayments to vendors, especially if State/County contracts are not used in order to pay the negotiated rates/prices
2. non-compliance with the Code of Virginia and County policy

## Cause

Unfamiliar with the procurement requirements that the County must follow

Henrico County Internal Audit 33

33




**Issue 3**

## Criteria

Chapter 4 of the Henrico County Procurement Manual outlines the procurement methods that have been established in accordance with the Virginia Public Procurement Act (VPPA) of the Code of Virginia (Title 2.2, Chapter 43) and the Henrico County Code (Chapter 16 - Public Procurement)

Henrico County Internal Audit 34

34




**Issue 3**

## Recommendation

The Director of IT should ensure that staff members involved in the procurement process fully understand the requirements set forth in the VPPA of the Code of Virginia, the Henrico County Code and the County's Procurement Manual.

Henrico County Internal Audit 35

35



**Issue 3**

## Management Action Plan

#	Management Action Plan	Completed By	Date
3	We have scheduled all members of the Administrative Team and the Executive Team to attend Purchasing Training to reacclimate ourselves to the purchasing guidelines.	IT Director; IT Assistant Director	7/23/19

Henrico County Internal Audit 36

36

Issue 4

# Confirm Capital Assets Yearly & Maintain Capital Asset Information Forms



37

37

Issue 4

## Condition



For confirmation purposes, we judgmentally selected 32 capital assets (5%) from a 9/4/18 Oracle Fixed Assets listing that included 651 assets totaling \$8,777,297 and noted the following:


1. IT did not retain copies of the original Capital Asset Information Forms (AIF) to support the surplus transfer or return to the vendor for the 7 items (22%) indicated as being surplus. All 7 of these capital assets are fully depreciated.
2. All 3 AIF's located for items indicated as being surplus did not have Section 4 completed to document the asset's transfer to Purchasing.
3. Two assets were initially thought to be surplus until further research revealed that they were apparently added to Oracle Fixed Assets with the incorrect serial numbers, thus making them difficult to locate.
4. A folding machine originally thought to be taken to the Planning Department during the renovation of the IT offices was actually located in Finance's Business License Office where an IT employee daily operates the machine.

We reviewed seven of 27 (26%) purchases exceeding \$5,000 which were coded to the Capital Outlay accounts to ensure that any individual assets exceeding the capitalization thresholds were added to Oracle Fixed Assets. One item exceeding \$5,000 could not be traced to Oracle Fixed Assets. IT personnel eventually located the item and confirmed that it had not been added to the System as a capital asset.

Henrico County Internal Audit

38

38



## Issue 4


# Effect

The potential for:

1. inflated value for IT capital assets if surplus items have been sold but remain on IT's books
2. inability to locate capital assets as the proper identifying asset information has not been entered into the system
3. loss of accountability if items are surplus and sent to Purchasing but IT does not retain a copy of the AIF form with a signature of the individual who took possession of the assets at the time of drop-off/pick-up
4. undervalued capital assets and inflated expenditures on the financial statements and loss of accountability if asset purchases meeting the capitalization thresholds are not added to the Oracle Fixed Assets System

Henrico County Internal Audit 39

39



## Issue 4

# Cause


1. Capital Asset Coordinator duties are split among two individuals; therefore, there is no one person assigned the task of ensuring that capital asset policies and procedures are followed.
2. No process in place to help ensure that capital asset purchases meeting the capitalization thresholds are added to Oracle Fixed Assets with the proper identifying information
3. IT has not been able to verify all capital assets on a yearly basis.

## Criteria

1. Henrico County Capital Assets Manual effective 4/15/09
2. Henrico County Procurement Manual effective 2/12/18 states in Chapter 7 - Surplus Property Program,  
"When disposing of surplus property, departments must follow the guidelines outlined in this section including:
  - A. Maintaining adequate records of such transactions;
  - B. Complying with inventory procedures..."

Henrico County Internal Audit 40

40




## Issue 4

# Recommendation

1. We recommend that IT management develop processes to ensure that:
  - a. AIF's are completed and IT maintains a copy with the signature of the individual taking possession to track the status of capital assets (i.e. transfers, donations, surplus as no longer needed, disposals of the surplus items, etc.) until the assets are removed from IT's inventory (see b. below).
  - b. properly completed AIF's related to surplus items sent to the warehouse should be forwarded to the Accounting Division of Finance so that the asset's location can be updated in the Oracle Fixed Assets System.
  - c. capital asset purchases that meet the established capitalization thresholds are added to Oracle Fixed Assets with the correct identifying information.
  - d. capital assets are verified on a yearly basis. Consideration should be given to better utilizing the "Site" Bldg" and "Room" fields in the Fixed Assets System to help quickly locate items.
2. The Director of IT should assign one individual to be the agency's Capital Asset Coordinator who will work to ensure that all related policies and procedures are followed.

Henrico County Internal Audit 41

41




## Issue 4

# Management Action Plan

#	Management Action Plan	Completed By	Date
4.1a- 4.1d	<p>On April 9, 2019, Information Technology named a new departmental Capital Asset Coordinator. This position will be responsible for generating a formal procedure for tracking all capital assets from procurement/receipt to surplus/sale/disposal. This procedure will also address the proper completion and maintenance of Capital Asset Information Forms (AIF's) and the updating of the Oracle Fixed Asset System. As new capital assets are received, the Capital Asset Coordinator will ensure that the assets are added to the Oracle Fixed Asset System with correct, identifying information and all necessary fields are utilized within the System to ensure the most accurate inventory and location of capital assets is kept. The Capital Asset Coordinator will also ensure that AIF's are properly signed by the individual taking possession of items transferred, donated, surplus, etc. and 2) these AIF's are then forwarded to Accounting so the System can be updated to properly reflect the location of these assets. The Capital Asset Coordinator will work directly with the IT Business Manager to ensure that all purchases of equipment \$5000 or more are added to the Oracle Fixed Asset System. Finally, the Coordinator will be responsible for an annual review of capital assets listed in Oracle Fixed Assets to ensure the most accurate and up to date listing possible.</p>	IT Director; IT Capital Asset Coordinator	7/15/19

Henrico County Internal Audit 42

42


Issue 4

## Management Action Plan


#	Management Action Plan	Completed By	Date
4.2	As stated in response to 4.1, we named a new Capital Asset Coordinator for IT. One of the first major initiatives for this role will be to begin working on a formal procedure surrounding Capital Assets. This procedure will cover the lifespan of capital assets from receipt, tagging, AIF completion, updating of Oracle Fixed Assets to disposal.	IT Capital Asset Coordinator	7/23/19

Henrico County Internal Audit
43

43


Issue 5

## Strengthen Controls Over the Processing of Non-Personnel Expenditures



44

44




## Condition Issue 5

A review of 35 direct payments, 26 payments against purchase orders (PO) including one paid from the Technology Replacement Fund, 16 expenditures coded to the travel account and 3 payments to the Director of IT revealed the following:

1. 59 invoices had no date stamp recording the date received.
2. 52 instances where no one signed and dated the invoice to document the receipt of the goods or the rendering of the service and to confirm the accuracy and completeness of the amount billed. In one of these cases, the invoice was signed but not dated and there was no indication that it was "OK to Pay".
3. In 13 cases, the invoice was paid 6-76 days late and, in one instance, the invoice was paid 719 days late.
4. In 10 cases, the incorrect direct payment reason code was selected.
5. 4 payments had inadequate supporting documentation.

Henrico County Internal Audit 45

45



## Effect Issue 5

The potential for:


1. payments of goods not received or services not rendered
2. late payment penalties being assessed, especially if the invoice receipt date is not documented
3. non-compliance with County policies

## Cause

Not familiar with County policies and procedures

Henrico County Internal Audit 46

46




## Issue 5

# Criteria

1. Common business practices dictate that, prior to payment approval, invoices should be reviewed, initialed and dated by an individual who can confirm that the goods/services were received as well as the accuracy and completeness of the amount billed. Additionally, invoices should be date stamped upon receipt.
2. County of Henrico Accounts Payable Manual dated 8/1/14

Henrico County Internal Audit 47

47



## Issue 5


# Recommendation

The Director of IT should ensure that processes are implemented to confirm that each exception area noted is properly addressed going forward prior to the approval of invoices for payment. Such areas include:

- date stamping invoices upon receipt
- ensuring a person more closely involved with the transaction initials and dates the invoice to indicate review and accountability for goods and services prior to payment
- ensuring invoices are paid by the due date or, if a date is not indicated or established by the contract, payment not more than 45 days after the goods are received or the invoice is rendered, whichever is later
- ensuring complete supporting documentation

Henrico County Internal Audit 48

48



## Issue 5

# Management Action Plan

#	Management Action Plan	Completed By	Date
5	<p>Since initial findings during Audit, IT has already: 1) implemented a date stamp system for all invoices received which will help to ensure invoices are paid on time and 2) begun seeking authorization to pay invoices from managers and staff more closely related to the project/task since audit finding was exposed. Related internal procedures addressing each exception area noted have been developed and are currently under review. We anticipate that the new Business Manager will take over the generation and eventual finalization of this process upon their arrival into the department, including training and periodic re-training efforts.</p>	IT Director; IT Assistant Director	7/23/19


Henrico County Internal Audit

49

49


## Issue 6

# Augment Invoice Processing Controls to Prevent Duplicate Payments



50

50



## Condition


### Issue 6

While IT management indicated that they check invoice numbers in Oracle prior to setting up new invoices for payment to ensure that they have not been paid previously, a review of invoice numbers (modified for the purposes of making corrections such as in the amount, account number, payment address, etc.) in the FY18 expenditure data file revealed the following:

1. a \$999 duplicate payment for airfare as two different versions of the vendor's supporting documentation were paid. A credit was reflected on a future statement, however.
2. an apparent duplicate payment of a Dell invoice for \$3,787. The original invoice number was associated with a payment made from the Technology Replacement Fund under IT's location code. This expense was later reclassified to HR's location code via a spreadsheet adjusting entry. The second payment against the same invoice number, modified to allow Oracle processing, was made under IT's General Fund cost center in account 50815 (Computer Equipment-New).
3. Reviewing modified invoice numbers for prior payment was not efficient because:
  - a. invoice numbers were altered with periods and spaces that were difficult to see
  - b. inconsistent date conventions were used
  - c. names were not added (in the case of class registrations, for example)
  - d. correct and consistently presented billing dates (including quarter end dates for quarterly payments) were not used
  - e. invoice numbers that had to be created did not include clarifying information such as dates, employee names or other information that alludes to the purpose of the payment

Henrico County Internal Audit 51

51



## Effect

### Issue 6


The potential for duplicate payments of the same invoice

## Cause

1. Different versions of the airfare vendor's supporting documentation were accepted for processing rather than paying from their standard billing document.
2. The payment from the Technology Replacement Fund didn't appear to be recorded due to the adjusting entry which moved the expense to another department.
3. This is how IT personnel were trained to process invoices that need to be adjusted in order to make a correction.

Henrico County Internal Audit 52

52




**Issue 6**

## Criteria

Best business practices dictate that alterations to invoice numbers in order to make needed corrections are to be done in a manner that helps to clearly communicate what was paid.

Henrico County Internal Audit 53

53




**Issue 6**

## Recommendation

1. Airfare should only be paid from the vendor's standard billing document.
2. When invoice numbers need to be altered in Oracle in order to make corrections, alterations should follow an established methodology to help the reviewer/approver determine if a prior payment has been made such as:
  - using billing or quarter end dates with a consistent convention, names, etc. to easily distinguish the payment
  - Invoice numbers that need to be created should include clarifying information that alludes to the payment purpose.

Henrico County Internal Audit 54

54



**Issue 6**

## Management Action Plan

#	Management Action Plan	Completed By	Date
6.1	This case was anomalous and not representative of normal practice. Staff member made a mistake. Action Plans identified in 2.1 and 5 will have the desired effect to alleviate these sorts of errors in the future. With that said, Invoice Processing Procedures currently being generated will document that payments will not be made from a vendor's statement of outstanding invoices.	IT Director; IT Assistant Director	7/23/19
6.2	IT Administrative staff have been utilizing a system of "-1," "-2," "-3," etc... for any invoice corrections that are required. This, too, will be addressed in the Invoice Processing Procedure that is currently being generated in response to Action Plan 5.	IT Director; IT Assistant Director	7/23/19


Henrico County Internal Audit
55

55




## Other Observations

The following slides include additional observations noted during our audit which were considered less critical in reaching our conclusions on the audit objectives.



Henrico County Internal Audit
56

56



**Other Obs. 1**

## Perform Periodic & Detailed Oracle Access Reviews


Discussions with management and a scan of the most recent Oracle Financials access review approved on 7/9/18 revealed that this review effort only verified if IT users were still active; it did not involve a detailed check of assigned responsibilities to determine if the accesses were still needed.

*During the audit, however, management performed a detailed analysis of all responsibilities assigned to IT users which was re-approved on 10/23/18. The responsibility updates (all deletions) were made in Oracle on 10/24/18. See Slide 71 for control improvement 2 implemented during the audit.*

**Recommendation:**  
Detailed Oracle access reviews should be performed periodically to ensure that, not only are the users active, but also that each user responsibility assigned is still appropriate.

Henrico County Internal Audit 57

57




**Other Obs. 1**

## Management Action Plan

#	Management Action Plan	Completed By	Date
OO1	A draft internal procedure document on Oracle Financial User Security reviews has been developed and is currently under review. When the Oracle responsibility listing comes out semi-annually, each individual's access is reviewed, corrected where necessary, and signed-off on by the direct supervisor of that individual. All access reviews are initialed or signed by the manager of that team, and the list is re-compiled and submitted for further action. Since the audit finding, a "detailed analysis" was conducted in October 2018; that same procedure was utilized in January 2019 and will continue going forward.	IT Director; IT Assistant Director	8/1/19

Henrico County Internal Audit 58

58



**Other Obs. 2**

### Establish Policies for Assets Under the Capital Asset Dollar Threshold


The Kace System maintains an inventory listing of computers based on connections to the network. [REDACTED] Separate asset listings are also maintained in this system, however, these are dependent upon the user department entering more detailed information regarding this equipment into the database. We noted that there are no policies requiring that:

1. agencies update the separate Kace asset listing for their computer assets under the capital asset threshold
2. machines used offsite are brought in monthly to connect to the network:
  - a. for security and software updates
  - b. to ensure that this equipment is not deleted from the Kace inventory listing due to inactivity

**Recommendation:**  
We recommend that the above-indicated requirements be documented in a policy and effectively communicated to all County agencies.

Henrico County Internal Audit 59

59




**Other Obs. 2**

### Management Action Plan

#	Management Action Plan	Completed By	Date
OO2	The policy request stated in OO2 is understood and will be implemented as described in OO2.	IT Business Manager	7/23/19

Henrico County Internal Audit 60

60



**Other Obs. 3**


### Document Support for the Calculation of IT Service Chargebacks

We noted that there is no documentation to support the calculation of the amounts DPU Water and Sewer and DPU Solid Waste are charged each year for IT services.

**Recommendation:**  
IT and DPU should sign an Interdepartmental Agreement which outlines the scope of IT services provided as well as the payment amount and terms. At a minimum, IT management should work with the DPU Senior Controller to ensure that there is an agreed upon and documented calculation which supports the charges for IT services.

Henrico County Internal Audit 61

61




**Other Obs. 3**

### Management Action Plan

#	Management Action Plan	Completed By	Date
OO3	Further research is required. Have initiated informal conversations with DPU Asst Director and Senior Controller, neither of which had any information or knowledge into the origination or rationale for these charges. Will be scheduling conversations with DPU and Finance to gain better understanding of these chargebacks.	IT Director	7/23/19

Henrico County Internal Audit 62

62



**Other Obs. 4**

### Review Monthly CAM Reports

Discussions with IT personnel revealed that the monthly CAM Reports are not reviewed by management as suggested in the CAM Customer Manual. Testing of two selected months of CAM Reports appears to confirm this statement as we could find no documented evidence of such a review. An Administrative Assistant does, however, look at the Daily Motor Pool Rental Forms to ensure the names listed are IT employees.


A quick review of these two reports showed items that should have triggered follow up questions and/or further internal analysis. For example, we noted one vehicle got 4.5 MPG per the July 2017 Report and 8.5 MPG per the April 2018 Report. These mileage figures are significantly below the similar vehicle that is also rented by IT.

**Recommendation:**

We recommend that IT management review all monthly CAM Reports per the CAM guidelines and sign and date the reports as evidence of this review.

Henrico County Internal Audit 63

63




**Other Obs. 4**

### Management Action Plan

#	Management Action Plan	Completed By	Date
OO4	IT Management will review the CAM monthly reports according to the guidance in the CAM Customer Manual. These reports will be signed and dated as evidence of this review.	IT Director	7/1/19

Henrico County Internal Audit 64

64




**Other Obs. 5**

### Augment Overtime Approval & Payment Controls

1. IT management requires pre-approval of any potential Overtime prior to the commencement of the work; however, this pre-approval is verbal and, thus, is not documented for future reference. Overtime is approved in Oracle HRMS by IT managers, however. It should be noted that Overtime in FY18 was minimal (approximately \$5,500 which was about \$1,100 under budget).
2. Testing of timecard detail transactions related to the pay periods with the three highest Overtime charges revealed 5 exception weeks out of 12 weeks tested with overtime pay (42%) where Overtime was paid when Leave or Holiday time was taken in the same work week. Since Overtime Earnings Categories were selected, system rules regarding regular hours were not invoked.

Henrico County Internal Audit 65

65



**Other Obs. 5**

### Recommendation:


We recommend that the Director of IT:

1. establish processes to document the pre-approval of overtime and exception overtime when required.
2. establish a review process to identify those instances where overtime was worked in the same week that Leave or Holiday time was also taken with no declaration/documentation of exception overtime and prevent the payment of overtime. Consideration should be given to having employees enter all hours worked as regular time to allow the Oracle HRMS System to calculate Overtime payments based on established rules.
3. ensure that IT management team members who approve timecards and Gatekeepers fully understand HR policies and procedures related to overtime.

Henrico County Internal Audit 66

66

Other Obs. 5




### Management Action Plan

#	Management Action Plan	Completed By	Date
OO5.1	Will be instituting a procedure for the written pre-approval of overtime and exception overtime, as recommended. A draft internal procedure document on IT's Overtime Approval Process has been developed and is currently under review.	IT Director; IT Assistant Director	7/23/19
OO5.2	A review process will be established to identify instances where overtime was worked in the same week that Leave or Holiday time was also taken with no declaration of exception overtime in order to prevent the payment of overtime in these cases. We will consider having employees enter all hours worked as regular time to allow the System to calculate overtime based on established rules.	IT Director; IT Assistant Director	7/23/19

Henrico County Internal Audit
67

67

Other Obs. 5




### Management Action Plan

#	Management Action Plan	Completed By	Date
OO5.3	<p>IT has already instituted a procedure where every two weeks, when timecards are due, the Business Manager sends multiple reminders to all IT staff of the pending timecard deadline. Inclusive in that reminder is a statement that reads...</p> <p><b><i>"To be eligible for overtime pay, non-exempt employees (other than non-exempt fire protection and law enforcement employees) must actually have worked more than 40 hours in the workweek. Any hours not actually worked (for example, hours for which an employee uses sick leave, County or floating holiday leave, or other paid or unpaid leaves of absence) will not be counted as hours worked in a workweek for purposes of calculating overtime pay."</i></b></p> <p>In addition, the Business Manager, who will also be the Gatekeeper will also be fully trained on these overtime rules, as well. Again, a draft internal procedure document on IT's Overtime Approval Process has been developed and is currently under review.</p>	IT Business Manager	7/23/19

Henrico County Internal Audit
68

68



**Other Obs. 6**

### Create Efficient Microsoft O365 Reconciliation Process


During our testing of 7 spreadsheet (ADI) entries representing 71% of the total dollar amount, we noted that one of these entries related to Microsoft O365 chargebacks to various departments. While trying to get more information concerning this entry, OMB personnel indicated that this chargeback reconciliation process is very time-consuming.

**Recommendation:**

We recommend that IT management work with OMB personnel to rework the Microsoft O365 chargeback process to make the reconciliation process more efficient.

Henrico County Internal Audit 69

69




**Other Obs. 6**

### Management Action Plan

#	Management Action Plan	Completed By	Date
OO6	This is a priority for us. This MS O365 chargeback process and the VoIP/Telecomm chargeback process are extremely cumbersome and time-consuming. Completely agree that these processes need to change in coordination with OMB.	IT Director	9/1/19

Henrico County Internal Audit 70

70




## Control Improvements Implemented during the Audit

#	Control Weakness Observed	Control Improvement Implemented
1	The majority of IT's FY18 revenue budget related to IT services provided to the DPU Water and Sewer Enterprise Fund and DPU Solid Waste. Since 2006, however, the actual revenue has been posted to a Finance cost center.	Accounting made an entry to reclass this revenue to an IT cost center in order to get the actual revenue in line with the budget. Refer to Issue 1.
2	Management had not performed a detailed review of Oracle accesses; the review effort only verified if IT users were still active.	Management performed a detailed analysis of all Oracle responsibilities assigned to IT users. Refer to OO1.
3	No documented management pre-approval of charges to be run on credit or Purchasing Cards; no documented confirmation that management verified that budgeted funds remain in the expense accounts to be charged.	Management instituted a temporary pre-approval process.


Henrico County Internal Audit 71

71




## Closing

- Appreciate Agency's cooperation
- Follow up on open Action Plans will be performed as completion dates are reached or after sufficient time has passed to ensure the actions are effective and on-going.



Henrico County Internal Audit 72

72




## Report Distribution

Audit Committee (Mrs. O'Bannon, Mr. Thornton, County Manager)	Board of Supervisors, Non-Committee Members
Deputy County Manager for Administration	Director of Information Technology
Internal Audit Staff	

Henrico County Internal Audit 73

73



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Henrico County Internal Audit 74

74