



May 2016

Quarterly Report

**FAIRFAX COUNTY BOARD OF SUPERVISORS
AUDITOR OF THE BOARD
www.fairfaxcounty.gov/boardauditor**

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CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM (CRM) IMPLEMENTATION / MAINTENANCE REVIEW

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

The CRM product utilized by some of the Fairfax County Board offices is a Microsoft application. The implementation of this application was slated as a pilot project for the Board offices. This software is utilized to enhance communication between the constituency and Fairfax County (the County) by cost-effectively and efficiently delivering prompt “citizen-centric” responses. This program was slated for implementation in the Chairman of the Board of Supervisors (Chairman) office with a go-live date of 11th November 2014, as reported in the project timeline. A punch-list of items has been created to track issues/and service delivery by the Department of Information Technology (DIT). During the implementation there were 62 items identified to be addressed. As of 25th February 2016, only 3 items remain open. On 25th February 2016, a meeting was held with the Chairman’s office, her staff, related senior management and DIT staff. Several items were discussed in this meeting whereby we were able to identify areas of improvement going forward. During this process the Chairman’s staff were project participants and end-users simultaneously.

SCOPE AND METHODOLOGY

Office of Financial and Program Audit staff worked with the Chairman’s office and management to understand the process whereby service delivery was managed to meet the expectations of the Chairman’s Board office. This included reviewing the functionality of the system, meeting with the Chairman, the Chairman’s staff and the management team charged with implementing the software. Staff also assessed how the software was implemented with the goal of making recommendations if applicable.

OBJECTIVES AND RESULTS

DIT staff worked with the Chairman’s staff to identify the business requirements and document them. The business requirements were then mapped to the functionality of CRM. User Access Testing (UAT) scripts were developed and presented to the process owners to test the applications and sign-off. While this function was performed, sign-offs were not adequately documented in one log; sign-offs were either verbal or via email. Adequately documented UAT sign-off can be integral to assisting the team in performing a look back, in one source document, to assess if any issues which were originally functioning have been effected as a result of subsequent events. As part of this process, we noted that the Business Requirement Document (BRD) as developed for the implementation and system maintenance was not a static document. As additional desired functionalities were identified they were implemented post project go-live without closing out the original phase of the project. This resulted in constant changes to the system during production. We also noted that dual-running between the original application Intranet Quorum (IQ) and CRM was not performed. As CRM is a Microsoft product, it was implemented into production. This left the Chairman’s office vulnerable whereby system glitches and/or issues degraded the office’s confidence that all needed information was received and/or responded to. The Chairman’s office expressed concerns over lost data. The process of dual-running would have assisted the office in identifying any items that were suspected of not being received.

The implementation of this software was performed with the assistance of contract staff (staff augmentation). Concerns were expressed over this process whereby the Chairman's staff was frequently required to revisit prior discussions with new non-county employees working on the project to ensure they were informed of the issues and their concerns. As the contract staff were the customer facing staff on the project, this often resulted in delays which could have been avoided. Finally, the Chairman's staff intimated that no presentation was provided whereby the full functionality of CRM was shared. By presenting this information to the project team before the BRD was developed, staff could have written a more robust BRD to be implemented as part of Phase 1 of the project.

Business Objective	Study Assessment
Responsiveness to Needs of Process Owner	Satisfactory
Presentation of Full Functionality of CRM Prior to Development of BRD	Needs Improvement
Development of Formalized BRD	Needs Improvement
UAT Test Scripts Tracking and Sign-off	Needs Improvement
Dual/Parallel Running between IQ and CRM (Production & Test Environment)	Needs Improvement
Rotating Staff Augmentation as Customer Facing Contact to Process Owner	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> DIT was very responsive to the needs of the process owner. 	<ul style="list-style-type: none"> The Chairman's staff was not provided a presentation of the full functionality of CRM prior to developing their BRD. The BRD was not static but a moving document throughout the implementation process. UAT scripts were signed off by the process owners but sign-off was performed either via email or verbally. No document detailed official sign-offs of all of the test scripts. Dual/parallel (production and test environment) running between IQ and CRM was not performed. This process would have given the Chairman's office a better assessment if CRM was working properly. Rotating staff augmentation as the customer facing contact required the process owner to re-educate the contacts of the issues and concerns they faced on the project.

OBSERVATIONS AND ACTION PLAN

The following table(s) detail observation(s) and recommendation(s) from this study along with management's action plan(s) to address these issue(s).

**Fairfax County
Office of Financial and Program Audit**

PRESENTATION OF FULL FUNCTIONALITY OF CRM PRIOR TO DEVELOPMENT OF BRD

Risk Ranking

MEDIUM

The Chairman’s staff was not provided a presentation of the full functionality of CRM prior to developing their BRD. A presentation of the full functionality of CRM is integral to assuring that the process owner has been given every opportunity to identify functions that would assist them in performing the duties for which they have been charged.

Recommendation

Implementing functions available in CRM will continue past the close out of the original BRD utilized in phase 1. Staff recommends that a presentation of the full functionality of CRM is presented to the process owners prior to the development of the BRD for phase 2 enhancements. These BRD phase 2 enhancements should be reviewed and signed-off by the process owner prior to the start of this phase of the project.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Gregory Scott Mark Thomas	N/A To Be Decided	Gregogory.scott@fairfaxcounty.gov Mark.thomas@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Chairman’s Office Response:

The Chairman’s Office concurs with this recommendation. We need to understand the options available to us better in order to define objectives for further enhancements to the software. We lacked the expertise with the software to identify gaps in our process or opportunities for enhancement.

Department of Information Technology’s (DIT’s) Response:

DIT concurs. In this case a presentation of Microsoft Dynamics CRM basic functionality for constituent tracking was done prior to BRD sessions. Dynamics CRM is a highly configurable solution driven by user requirements using the agile methodology. DIT will incorporate the auditor recommendation in the project planning process.

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DEVELOPMENT OF FORMALIZED BRD

Risk Ranking

MEDIUM

Our review of the BRD with the Chairman’s and DIT staff has revealed that the BRD has been a moving document whereby enhancements and functionalities have been added to the implementation. This has resulted in continued efforts and changes to the BRD. This approach does not allow the implementation team to close out the project based on the original BRD but in fact results in a project that remains consistently open or not fully implemented.

Recommendation

Staff recommends that the BRD for phase 2 of the CRM implementation is formalized and signed-off based on all available information. Should additional enhancements be identified, they should be documented for DIT to implement and revisit as a patch and/or enhancement post close out of phase 2 of the project. We also recommend that a formalized training plan is developed and implemented.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Gregory Scott Mark Thomas	N/A TBD based on the need for any phase 2 enhancements.	Gregogory.scott@fairfaxcounty.gov Mark.thomas@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Chairman’s Office Response:

The Chairman’s Office concurs that both users in the Chairman’s Office and the DIT staff implementing the project would be better served by clear requirements, scope and delivery timeline. We understand these elements are part of the typical project management model for DIT and would further support the use of this project management model on all projects for Board Offices.

Department of Information Technology’s (DIT’s) Response:

DIT agrees and is in the process of working on the identified Phase 2 configurations. DIT has implemented many CRM capabilities over the years in a variety of agencies and each one had unique needs and required flexibility to make changes required for successful productive use in the sponsor agencies. Generally, CRM configuration process is fluid using the Agile development methodology to incorporate learning gained and the experience take advantage of change opportunities.

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UAT TEST SCRIPTS TRACKING AND SIGN-OFF

Risk Ranking

LOW

UAT scripts were signed off by the process owners but were performed either via email or verbally. No document detailed official sign-offs of all of the test scripts. Documenting these test scripts in an electronic file and prioritizing them hierarchically would assist the team in reviewing the sign-off at a glance in an efficient manner. This information could also assist staff in identifying functionality that was been effected as a result of a change and/or patch to the system in a timely manner.

Recommendation

We recommend that the process for tracking UAT scripts sign-off is performed whereby staff signs-off on the functionality in a consistent manner, preferably electronically whereby the sign-off is directly aligned to the test script.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Gregory Scott Mark Thomas	N/A Contingent on any future enhancements.	Gregogory.scott@fairfaxcounty.gov Mark.thomas@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Chairman's Office Response:

The Chairman's Office recognizes that we did not insist on a formal sign-off. Our urgency to complete enhancements once access to IQ was rescinded may have undermined this process. The parallel processing recommendation below and the formalized BRD above would have relieved anxiety about functionality and delivery timeline.

One other comment for strengthening the testing process would be to incorporate the full use case into a final test. The test scripts used in spring and summer of 2014 focused primarily on process elements and some of the issues we requested to have corrected after October 2014 were not apparent until the entire process came together in a live environment.

Department of Information Technology's (DIT's) Response:

DIT concurs. A repository and tracking mechanism capturing the issues and sign-offs is optimal. DIT has all documents which have been provided for this study. E-mail/electronic approvals are acceptable and more efficient than traditional paper forms.

**Fairfax County
Office of Financial and Program Audit**

DUAL/PARALLEL RUNNING (PRODUCTION & TEST ENVIRONMENT) BETWEEN IQ AND CRM

Risk Ranking

MEDIUM

Our review revealed that dual/parallel running between IQ and CRM was not performed. This process left the Chairman's office vulnerable to not having assurance that all transmitted information was received.

Recommendation

We recommend that dual/parallel running between the current application and CRM is employed when implementing CRM in the other Board Offices. This process would have given the Chairman's office a better assessment if CRM was working properly.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Gregory Scott	N/A	Gregogory.scott@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Department of Information Technology's (DIT's) Response:

DIT will continue to work with Board Offices in planning for CRM solution transition to include jointly determining whether dual running of two systems is feasible based on the operational model for each office and technical considerations. DIT will also incorporate dependencies for the effect of supporting enterprise capabilities that may affect CRM performance, such as e-mail. The issues experienced with Chairman's pilot project was that e-mail was not being delivered on several occasions to the CRM, was due an issue with e-mail system upgrade. The messages were found in e-mail system, and ultimately there was no evidence of lost e-mail or data.

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ROTATING STAFF AUGMENTATION AS CUSTOMER FACING CONTACT TO PROCESS OWNER

Risk Ranking

MEDIUM

The Chairman’s staff intimated that, rotating contact staff (staff augmentation) as the customer facing contact required them to re-educate the implementation team of the issues and concerns they faced on the project. This process degraded the Chairman’s staff confidence in the project and added delays to the overall objective of implementing the application.

Recommendation

While staff augmentation is a common practice utilized by DIT for these types of projects, we recommend that the customer facing contact to the process owner is relegated to official County staff. This would include communication regarding delays, BRD, functionality and overall project management.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Gregory Scott	N/A	Greogory.scott@fairfaxcounty.gov

MANAGEMENT RESPONSE:

Department of Information Technology’s (DIT’s) Response:

DIT agrees that contractor turnover added time and effort during the pilot effort, and that the DIT technical project manager is the customer facing contact for system implementation, with assigned technical staff and/or contractor working with the Agency Project Manager for their business requirements, which is county IT Project Management practice. Many other factors also contributed to over schedule to include that DIT staff assigned to the CRM Board office transition pilot were also working on the implementation of the Diligent Board Books solution which was a Chairman’s Office and County Executive priority.

ADMINISTRATIVE LEAVE FOR EMPLOYEE ORGANIZATIONS

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

Administrative leave is granted for Fairfax County (the County) and Fairfax County Public Schools (FCPS) employees to support certified employee organizations. The leave is granted for such as; participation in meetings, committees established to review employee-related relations, conventions, conferences and training related to any of the employee group activities upon supervisors' approval.

As per the County Procedural Memorandum (PM) No.11-03 – Employee Organization Rights and Responsibilities, in part; managers are expected to provide flexibility to the extent possible to permit employees who serve as an officer or representative in an employee group to participate. The PM specifically highlights the approved activities, which are:

- Participation in county related employee group activities such as attendance at monthly employee group meetings, meetings with the Board of Supervisors (individually or at the regular Board meetings to include committee meetings), participation on committees or task forces established to review employee-related issues. Each organization is allotted 240 hours per year for this purpose.
- Attendance at conventions, conferences or training related to employee relations. Each organization is allotted 240 hours per year for this purpose.
- Time spent assisting a member with a grievance when designated as the employee's official representative (this time is not included in the allotments above and is on as needed basis).

This Procedural Memorandum does not apply to the Employee Advisory Council (EAC) representatives as their mission is to support all county employees and their work is sanctioned by State Code and Fairfax County Government Personnel Regulations.

Per PM 11-03, “the 240 hour annual allotments will be monitored by the employee organizations with periodic audits by the Department of Human Resources (DHR).”

The procedural memorandum applies to fourteen County recognized, dues paying employee organizations (of which 12 representative public safety employees and two are available to other merit staff) and any future organizations that participates in payroll dues deductions.

On 2nd March 2016, a meeting was held with the HR Manager, Employee Relations and Policy Administration whereby we discussed the scope of the review, the timeline and constraints, and the viability of obtaining information from FCPS.

Fairfax County Public Schools also grant employee administrative leave to perform duties for a certified employee organization. Per Regulation 4537.5 – Employee Organization Privilege –

Leave; paid employee organization leave “Organization Leave” may be granted for only the following meetings:

- Attending local, state, regional, or national employee organization meetings or activities related to performing the representational duties of the employee organizations.
- Meetings with representatives of FCPS concerning personnel policies, practices, or other general conditions of employment, including but not limited to, regularly scheduled meeting and conferences with the Office of Human Resources.
- To prepare for meetings mentioned above.

Any activities performed related to internal business of the employee organization shall be performed while representatives are in non-duty status.

The number of leave days authorized by each employee organization group is determined by the Division Superintendent and based on budget constraints and other appropriate factors. The paid leave days are distributed proportionally by each certified employee organization. It should be noted that ***all employees belonging to an employee organization are eligible to use administrative (organizational) leave.***

To request leave the president of the employee organization must submit a form requesting the time for the participants, ten working days in advance. Copies of these requests should be distributed to the principal or program manager, employee requesting leave, and the Director of Equity and Employee relations. Requests must be made in advance in order for the adequate number of substitute teachers when necessary. Substitute teachers are procured by the principal or program manager. Their time is recorded to Organizational Leave (Administrative Leave), with a budget reason code 820900-2023.

Regulation 4537.5 applies to the seventeen Public School recognized employee organizations and any future organizations that participates in payroll dues deductions.

SCOPE AND METHODOLOGY

Staff worked with the Manager, Employee Relations and Policy Administration to obtain information to perform the studies. The Manager, Employee Relations and Policy Administration contacted the FCPS to identify a representative(s) to submit information for data requests directly to the Office of Financial and Program Audit (OFPA) staff and assist with the review of their process. This included gaining an understanding of the Administrative Leave entitlement for employees to support employee groups, assessing the effectiveness of the process for managing administrative leave, reviewing audits performed by the DHR for the County and FCPS to assess how the process is monitored. We also reviewed approvals for requests and time coded to administrative leave to identify if overages and/or non-compliance issues were addressed with the appropriate parties. These processes were reviewed to assist OFPA staff in making recommendations, where applicable.

OBJECTIVES AND RESULTS

Teleconferences were held with Presidents of the County employee organizations whereby the process for monitoring employee organizations 240 hour allotments was discussed. The discussions revealed lapses in the process which could be improved upon. As per the Presidents, hours are tracked in excel and forwarded to the Department of Human Resources (DHR) for verification of compliance with PM No. 11-03 for prescribed allotments. We were informed that these records were forwarded annually and deleted after they were reviewed by DHR. The guiding principles in the PM are nebulous as it does not provide clear information as to how long the records should be retained.

OFPA staff also met with FCPS, the Office of Equity and Employee Relations to discuss the process for managing administrative leave. It was noted by FCPS staff that there is one administrative leave code to be used by all staff, regardless of the reason for leave. Based on FCPS's staff, administrative leave time is not audited.

Additionally, we reviewed the (Memo on legality of Official Time in Virginia-Final) from Wimberly, Lawson & Avakian to assess the accuracy of the financial reporting for the County's Official Leave. We found discrepancies in the calculation and reviewed them with Mr. Michael Avakian, Esq. Mr. Avakian confirmed that our assessment was correct and the number reported for the County were significantly overstated in his report. The report reflected a "value of over ~\$308,000 for fiscal years 2011 and 2012." There were several errors and incorrect assumptions made when compiling this value. Mr. Avakian intimated that he would be forwarding the calculations for FCPS for our office to review. These documents were not remitted in time to be included in this report.

Our analysis revealed the following observations regarding the County's potential expense for fiscal years 2011 and 2012; based on time coded to Administrative Leave (L201) in the HCM module in FOCUS and the hourly wage as reported by Mr. Avakian the total County's potential expense was ~\$55,730 for those periods. Given the absence of controls and record retention of supporting documentation e.g.:

- Advance Approval (Authorization for Administrative Leave for Employee Organization Activities),
- Verification of Attendance,
- Authorization/Verification Form,
- Time and Attendance Reporting,
- Recording Keeping (by Employee Organizations),
- Periodic Audits by DHR, and
- Use of Internal Order Codes

OFPA staff cannot assert with any confidence that the ~\$55,730 represents the total expense for Employee Organizations for fiscal years 2011 and 2012. These statements reflects the policies employed by both the County and FCPS.

OFPA staff was also informed that some County employees do not record time they spend at employee organization meetings as Administrative Leave (L201 & L204) as prescribed by PM 11-03. These offices have been given permission by management to record this time as regular hours or lunch break. Therefore, these hours will never be captured as Administrative Leave. This practice allows staff in the office to circumvent the 240 hour allotments. Additionally, we made several efforts to meet with the County’s DHR – Employee Relations Division to review the periodic audits to reconcile the Employee Organizations’ allotments. It was noted by DHR, that periodic audits were not conducted. Periodic audits could not have any added value as there were no unique identifiers utilized to ascertain which employee organizations an employee is spending his/her time. As mentioned in the observation below (Internal Order Codes in FOCUS HCM Module) and audits/analysis would be unreliable.

Business Objective	Study Assessment
Internal Order Code in FOCUS HCM Module for Employee Organization Administrative Leave - Fairfax County	Needs Improvement
Periodic Audits by DHR regarding 240 hour annual allotments for Employee Organizations – Fairfax County	Needs Improvement
Proper Recording of Administrative Leave Code by Employees - Fairfax County	Needs Improvement
Sub Object Codes or other Unique Identifiers in FOCUS for Employee Organization Administrative Leave - Fairfax County Public Schools	Needs Improvement
Periodic Audits regarding annual allotments for Employee Organizations – Fairfax County Public Schools	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Pursuant to PM No. 11-03 Employee Organization Rights and Responsibilities; employees are responsible for coding time spent to an Internal Order Code in HCM. This practice is not being performed. Pursuant to PM No. 11-03 Employee Organization Rights and Responsibilities; periodic audits should be performed by DHR to monitor the annual allotments. Without the use of Internal Order Codes any audits/analysis performed would be unreliable. Lack of recording and misuse of Administrative Leave code by employees approved by their supervisors in HCM module of FOCUS. No <u>sub object order codes</u> and/or other <u>unique identifiers</u> are being utilized in FOCUS for Employee Organization

Control Summary	
Good Controls	Weak Controls
	Administrative Leave by Fairfax County Public Schools. As this Administrative Leave Code is used for various leave purposes any audits/analysis would not be reliable.

OBSERVATIONS AND ACTION PLAN

The following table(s) detail observation(s) and recommendation(s) from this study along with management’s action plan(s) to address these issue(s).

**Fairfax County
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INTERNAL ORDERS CODES IN FOCUS HCM MODULE FOR EMPLOYEE ORGANIZATIONS ADMINISTRATIVE LEAVE AND PERIODIC AUDITS – FAIRFAX COUNTY	
Risk Ranking	MEDIUM
<p>Based on a report provided by DHR -Focus Business Support Group (FBSG) only 4 entries of 275 reviewed (or ~1.5%) for FY 2015 included Internal Order Codes in HCM for time coded to Administrative Leave (L201 & L204). We also obtained a report for FY 2016 year to date, which revealed that only 2 entries of 116 reviewed (~1.7%) included Internal Order Codes in HCM for time coded to Administrative Leave (L201 & L204). These codes allow DHR to monitor/audit time spent to for an Employee Organization. The absence of this information would render any analysis/monitoring/auditing unreliable. Also the absence of this information has limited the ability of the OFPA, to assess compliance with the above mentioned related PM. The potential unaudited financial exposure to the County for Administrative Leave (14 Employee Organizations with a 480 hour annual allotments) is ~\$315,691 annually.</p>	
Recommendation	
<p>We recommend communication is made through the proper County channels, whereby managers must only approve leave of this type (Administrative Leave – L201 and L204) in HCM after the requisite information is added. We also recommend that DHR consider developing a reconciliation procedure to monitor/audit Employee Organization annual allotments (240 hours) to comply with this above mentioned PM.</p>	

Action Plan

Point of Contact	Target Implementation Date	Email Address
Leslie Amiri	October 31, 2016	Leslie.Amiri@FairfaxCounty.gov

MANAGEMENT RESPONSE:

A multi-strategy solution is proposed to increase compliance penetration, including:

- 1) Enhance Existing Documentation – clarify and expand upon policies and procedures as necessary, with emphasis placed on clearly delineating areas of accountability, responsibility and detailed retention and reconciliation procedures, and removing any unintended organizational impediments to compliance. DHR will obtain input from staff with the Office of Internal Audit regarding proposed changes to ensure application of best practices and a reconciliation process that effectively isolates and reports on subject data.
- 2) Launch Education Initiatives – develop and provide subject employee groups and managers with tailored topical training, job aids and hands on support as needed to ensure understanding of policy, procedures, process, practice and how to address the need for additional clarification. Additionally, relevant content regarding managerial approvals will be reinforced across the training curriculum to ensure effective learning design stemming from multiple exposures to the content.
- 3) Collaborate with department heads and employee group presidents to develop requirements in ways that are operationally effective and efficient and ensure “buy in” at all levels. Further, promote employee group officer accountability by having them sign off as having reviewed and understood the revised policies, procedures and processes with an agreement to “recertify” annually, and compel officers to be “partners” in solving problems which arise in audits.
- 4) Incorporate relevant communication messages across existing communication vehicles (monthly agency Payroll Contact and HR Manager Meetings, DHR website, etc.)

Future enhancements: Develop a mandatory online training course for employee group officers and their managers covering the topics outlined above, which also incorporates an electronic signature component and record of course completion.

**Fairfax County
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PROPER USE OF ADMINISTRATIVE LEAVE CODES BY EMPLOYEES AND APPROVAL BY MANAGERS –
FAIRFAX COUNTY

Risk Ranking

MEDIUM

Our review revealed 14 out of 38 (or 37%) of sampled employees miscoded time to Administrative Leave for Employee Organizations (L201) whereby time should have been recorded using another administrative leave code. Pursuant to PM No. 11-03 Employee Organization Rights and Responsibilities; Administrative Leave Code (L201) should only be used for officers of an Employee Organizations for reasons prescribed in the PM. The 14 employees noted above did not meet the requirements for the administrative leave entitlement. As the accuracy of this information is integral to gaining some assurance that only the allotments of time for Employee Organizations is utilized, this information should be distributed to all relevant employees through a mechanism deemed appropriate by DHR.

Recommendation

We recommend that DHR consider redistribute the Administrative Leave Memorandum and any other relevant information through a channel deemed appropriate to all related employees.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Leslie Amiri	June 15, 2016	Leslie.Amiri@FairfaxCounty.gov

MANAGEMENT RESPONSE:

DHR will meet with the presidents of all dues-paying employee group officers to review revisions to the Administrative Leave Memorandum prior to distribution.

The memo will be sent to the county senior management team, executive suite, employee group officers, and to agency HR managers and Payroll Contacts with instructions to review the content with subject employees and their managers.

DHR will communicate specific roles and responsibilities pertaining to the reconciliation system to all affected parties.

**Fairfax County
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SUB OBJECT ORDERS CODES OR UNIQUE IDENTIFIERS in FOCUS FOR ADMINISTRATIVE LEAVE –
FAIRFAX COUNTY PUBLIC SCHOOLS

Risk Ranking

MEDIUM

Our review revealed that no sub object codes and/or other unique identifiers were utilized by FCPS employees to record time spent for Employee Administrative (Organizational) Leave. We were also informed that the Administrative Leave Code is utilized for various purposes without any unique identifiers. This practice renders any audits/analysis performed by FCPS for the purpose of; ensuring that time incurred and paid, employees' participating in meeting and/or events for Employee Organizations unreliable. FCPS stated the amount of leave is tracked and reviewed but documentation was not submitted for the review. Without this mechanism no assurance can be provided that time spent is within the allotments for these groups. Mr. Avakian intimated that he would be forwarding the calculations for FCPS for our office to review. Documents were not remitted in time by Mr. Avakian or FCPS to assess the accuracy of information published by Mr. Avakian to be included in this report.

Recommendation

We recommend that FCPS consider employing a mechanism whereby Administrative Leave Codes are enhanced to include unique identifiers for the purpose of tracking/monitoring and auditing time spent by employees for their Employee Organizations. We also recommend that FCPS conduct periodic audits/analysis to gain reasonable assurance that only the allotted time is utilized.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kevin Sills Karin McArthur-Rodriguez	June 30, 2017	kasills@fcps.edu kamcarthurro@fcps.edu

MANAGEMENT RESPONSE:

Fairfax County Public Schools appreciated the opportunity to meet with the staff from the Board of Supervisors' Audit Committee in reviewing the use of organization leave. FCPS allows for employee organizations to become certified in accordance with FCPS Regulation 4520.3. Once an organization meets the eligibility requirements associated with certification, that organization has access to established privileges, one of which is organization leave. As stated in the report, FCPS Regulation 4537.5 established specific conditions under which a certified organization may be granted organization leave. Based upon the conversations associated with this audit, FCPS is in the process of altering its policies and practices associated with organization leave. To that end, FCPS plans to initiate the following processes and mechanisms:

- Ensure that organization leave is solely utilized for purposes associated with 4537.5:
 - Leave associated with: attending local, state, regional or national employee organization meetings or activities related to performing the representational duties of the employee organization; meetings with representatives of FCPS concerning personnel policies, practices, or general conditions of employment; and preparation for these meetings.

- Ensure that leave associated with work groups or other collaborative efforts determined by the Superintendent or her designee to be beneficial to the Division is not treated as organization leave.
- Ensure that the appropriate Departments and/or Offices provide the employee organization with the proper leave and/or fund code based upon the intended use of leave.
- The responsible Department and/or Office will conduct a monthly review of the various leave and/or funds utilized by each organization and reconcile the purpose for which it was granted and, ultimately, used.
- The responsible Department and/or Office will correct any erroneous designation of leave and/or fund by an employee or employee organization.
- FCPS will update all pertinent regulations, policies, and practices to account for the delineated use of leave associated with employee organizations.

ELIGIBILITY OF DEPENDENTS ON FAIRFAX COUNTY HEALTH INSURANCE PLANS

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

Fairfax County (the County) offers five health insurance plans to active and retired employees managed by Kaiser Permanente and Cigna Healthcare. Kaiser Permanente offers a Health Maintenance Organization (HMO). Cigna Healthcare offers; Open Access Plus Co-Pay Plan (OAP Co-Pay), Open Access Plus 90% Co-Insurance (OAP 90%), Open Access Plus 80% Co-Insurance (OAP 80%) and My Choice Consumer Directed Health Plan. These percentages represent the benefit plan payment percentages paid to Cigna Healthcare.

Health care plans are offered to active full-time and retired employees by the County. Employees have the option of choosing an individual, two-party coverage (employee plus dependent) or a family coverage plan. Eligible dependents are defined as: a spouse, a biological child, stepchild, adopted child, or a child that the employee has been granted permanent legal custody through the court system. Dependents must be under the age of 26. Disabled dependents who are injured before the age of 26 are eligible to remain on the County's health care plans regardless of age. Documentation to verify the dependent must be provided when enrolling a dependent into a healthcare plan.

SCOPE AND METHODOLOGY

Office of Financial and Program Audit (OFPA) staff worked with management to gain an understanding of the process for enrolling and verifying eligible dependents to County healthcare plans. We also reviewed policies and procedures pertaining to the healthcare plans, Summary Plan Descriptions (SPD's) for the healthcare plans (which detail qualifying information and plan costs), and the Department of Human Resources (DHR) supporting documentation which is utilized by DHR staff for testing dependent verification.

OFPA staff obtained census data as of March 1, 2016 for employees and retirees enrolled in healthcare plans with The County. OFPA staff utilized this list to obtain a sample of employees and retirees that elected a healthcare plan with dependents. The sample was selected utilizing the Microsoft Excel's Random Number Generator and staff's judgment. Using the sample basis OFPA staff reviewed enrollment forms and Employee Self-Service (ESS) electronic elections to assess if dependent eligibility was supported and the proper documentation was retained in Laserfiche (the system which houses sensitive dependent information for healthcare plans).

Secondly, OFPA staff reviewed the Enterprise Resource Planning System (FOCUS) to assess if system generated letters for dependent elections were obtained and retained to support dependent enrollment and coverage. Included in this process, we reviewed the healthcare census electronic file as of March 2016 to identify enrollees' documentation for testing. One of the tests performed as part of this process was to identify dependents that remain on healthcare plans as a dependent but have aged out eligibility or have some other non-qualifying event.

To review the budgeting, employee deductions, and disbursement process, OFPA staff reviewed the related SPDs to; identify employer/employee splits, and overall annual costs. This included reviewing deductions on employees' W-2's for compliance with enrollments. We then liaised with the Department of Management and Budget (DMB) to determine how the funds were compiled, appropriated and to which

G/L account these funds were posted. As part of this process we reviewed the past five years expenses for the County and compared them to the past five years budgeted line item to assess if this line item was consistently over/under budgeted or if differences were significant. We were informed that a reserve is funded to accommodate any unappropriated claims, no reportable items were identified.

Additionally, we requested the list of employees with User Access to Laserfiche to assess if only needed personnel had access. No reportable items were identified.

Finally, we reviewed the reconciliations for paid insurance claims for FY 2015. This included reconciling the general ledger account to the disbursements and credits. No reportable items were identified.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
FOCUS Removes Dependents Automatically When They Age Out	Satisfactory
Reconciliation of Employer/Employee Split Disbursement Payments to Healthcare Plans	Satisfactory
Reconciliation of Employer Payments and Prepaid Disbursements for Healthcare Plans to General Ledger	Satisfactory
Employee W-2 Deductions Properly Assessed and Recorded for Healthcare Plan Split	Satisfactory
Payment Requests for Remittance to Healthcare Providers are Submitted to DOF without Support	Needs Improvement
Verification of Dependent Eligibility	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> FOCUS automatically removes dependents that age out eligibility. Dependents are notified by letter of their upcoming eligibility status. Reconciliations are performed monthly for employer and employee splits and verified with appropriate signatures. Pre-payments and disbursements are reconciled on a monthly basis. Employee deductions are calculated through FOCUS and automatically calculated based on rate table and healthcare plan selected. 	<ul style="list-style-type: none"> Documentation is not provided or is illegible to support dependent healthcare eligibility. No documentation is provided for Healthcare Premiums (Payment Requests) to DOF.

OBSERVATIONS AND ACTION PLAN

The following table(s) detail observation(s) and recommendation(s) from this study along with management's action plan(s) to address these issue(s).

**Fairfax County
Office of Financial and Program Audit**

SUPPORTING DOCUMENTATION FOR HEALTHCARE PREMIUMS (PAYMENT REQUESTS) TO DOF

Risk Ranking

LOW

Our review revealed that Payment Requests to Department of Finance (DOF) by DHR for Healthcare Payments are submitted via email Payment Request Forms which details the; general ledger account, cost center, amount, vendor name, payment date, invoice number, and fund number. No remittance advice or any other support is provided. DHR asserts that requests are submitted in this manner as they are protecting sensitive employee data and this method is allowed by the Financial Policy Statement (630) – Non-P.O. Payment (Exception Sensitive Data Invoices). During our interview OFPA was provided; a Weekly Check Summary for Cigna and an Email Confirmation for Kaiser Permanente Healthcare Providers to DHR – Payroll Division which detail the relevant remit advice and **no Sensitive Employee Data.**

Recommendation

We recommend that consideration is given to attaching copies of these above mentioned documents (for the respective Healthcare Providers) to the Payment Requests for review and approval by DOF. This practice would provide support for the requests and assist DOF in maintaining complete Accounts Payable (A/P) voucher packages in their department.

Action Plan

Point of Contact	Target Implementation Date	Email Address
John Clough Susan Kirkman	April 11, 2016	John.Clough@FairfaxCounty.gov Susan.Kirkman@FairfaxCounty.gov

MANAGEMENT RESPONSE:

The first recommendation has been discussed and implemented. Staff is now attaching the remittance advice with no Protected Health Information (PHI) included with the Payment Requests. Employee PHI information remains in the agency's records. Additionally, supporting documentation remains in our files, and an inspection of the backup matched the payments as requested. The Department of Finance now has a permanent copy of the detail for their records. As a point of further clarification, there was an exception granted by the Department of Finance previously to NOT attach detailed information due to the PHI of employees' on some of the documentation.

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DOCUMENTATION TO SUPPORT DEPENDENT HEALTHCARE ELIGIBILITY MISSING OR ILLEGIBLE

Risk Ranking

MEDIUM

Our sample of seventy employee records to support dependent healthcare status revealed, 3 records whereby the documentation did not exist and 2 records whereby the documentation was illegible in Laserfiche. The original documentation to support the Laserfiche scan could not be provided. Staff could not verify that these dependents were eligible and whether the County should incur these expenses. This resulted in, (5 out of 70 sampled or ~7%) of the records reviewed not being properly supported. The total exposure (based on calendar year 2016) for these dependents is ~\$38,000, dependent exposure was ~\$44,000 (based on calendar year 2015). The length of time for which these dependents have been covered by the County whereby adequate documentation was not identified ranged from 1984 to current year to date. The cost to the County could not be extrapolated as the healthcare rates were not available.

Recommendation

We recommend that staff contact the employees to obtain the needed documents for the County's records. If no supporting documentation can be obtained, staff should review and reconcile the employees' dependents eligibility. Additionally, staff should consider implementing periodic checks/audits of these records to gain reasonable assurance that the County is only incurring premium costs for which we are responsible.

Action Plan

Point of Contact	Target Implementation Date	Email Address
John Clough Susan Kirkman	Implemented End of 2 nd Qtr. 2016, quarterly in the future.	John.Clough@FairfaxCounty.gov Susan.Kirkman@FairfaxCounty.gov

MANAGEMENT RESPONSE:

The employees (of the records noted above) have been contacted and illegible or missing documents have been supplied to support coverage of their eligible dependents for the full period of coverage that was provided. Currently, all dependent additions and required paperwork are "peer reviewed" and initialed by Benefits staff prior to documents being scanned into permanent record. We have added an additional step to the procedures to review the scanned copy of documents to make sure they are clearly scanned and legible – if not they will re-scan or request a clear copy of the documents from the employee.

We have had other audits of dependents and none of the dependents missing documentation were deemed to be ineligible for coverage. The illegible documents were the result of older technology, however they wouldn't have been scanned and entered in the system in the first place without being validated by a member of the Benefit staff.

UNEMPLOYMENT INSURANCE

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND

Fairfax County (the County) terminated employees have the right to file a claim for unemployment insurance through the Virginia Employment Commission (VEC). Unemployment claim payments are disbursed by VEC weekly to the claimant, if they qualify. VEC is then reimbursed by the County on a quarterly basis for claims paid.

Claims for unemployment insurance are reviewed by VEC to determine for the following requirements; monetary eligibility, separation qualification and weekly eligibility. Monetary qualification is based on the claimant's regular base period wages earned during a period of employment. Regular base period is defined by the first four of the last five completed calendar quarters prior to the effective date of a claim filed. DHR submits quarterly wage reports to VEC detailing the amount paid to each County employee. The wage report is used to determine the amount the claimant qualifies for each week and the number of weeks he/she receive benefits.

Separation qualification must be met to receive unemployment insurance. If an employee is terminated for any reason other than lack of work/downsizing, it is necessary to gather facts from the DHR staff concerning his/her dismissal. A VEC Deputy will contact the employer and terminated employee to gather facts and make a determination regarding the qualification of benefits. The VEC has the right to disqualify a claim if a terminated employee quits his/her job without good cause or was let go for misconduct. The County and the terminated employee have the right to appeal the VEC Deputy's decision.

Claimants make weekly requests to VEC to receive benefits. Eligibility requirements are:

- Claims must be filed within 28 days after contacting VEC,
- Claimants must be available to search for employment and work (search records must be retained by claimants one year for audit purposes), claimant must accept suitable work if offered,
- Claimant must report all wages earned for temporary/part-time and/or self-employment, and
- Claimant must report any vacation, severance pay or funds received from pension, retirement or other annuities.

SCOPE AND METHODOLOGY

OFPA staff worked with management to gain an understanding of the process for managing the unemployment insurance benefits. To facilitate this study, we reviewed the related DHR – Payroll Division's policies and procedures. We interviewed staff and participated in side-by-side executions of staff's job functions such as; quarterly reporting to the VEC, claims analysis for terminated employees, and the reconciliation of the payroll period reports. In reviewing this process we noted that FOCUS generates a Payroll Reconciliation Report which duplicates the total of the payroll distribution. Staff intimated that they are aware and they understand not to reconcile that total to the amount on the Quarterly Wage Report. Only the detailed Quarterly Wage Report is submitted to VEC which reflects the correct total. The FOCUS Payroll Reconciliation Report is utilized for reconciliation purposes only.

In addition, we reviewed documentation for paid claims, Notice of Payments, and supporting documentation for claim adjustments. We also obtained a list of terminated employees eligible to apply

for unemployment insurance. The purpose of this exercise was to (on a sample basis utilizing the Microsoft Excel's Random Number Generator and staff's judgment); assess the adequacy of the supporting documentation, compliance with eligibility, and understand the appeals process. Our interviews with the DHR – Payroll Division staff revealed that sole reliance is on the VEC to compile the Quarterly Reimbursable Billing for the County to remit. We also reviewed the Unemployment Compensation Insurance Memorandums dated 12th December 1977. These documents detailed the two methods of payments (Reimbursable and Tax Contribution). The County selected the Reimbursable Payment method. Under this process the County has relegated fiduciary responsibility to VEC. Staff intimated that they look at assessments each period for trends. No recalculations are performed due to the complexity of how payments to claimants are assessed. As per DHR-Payroll staff, this is largely related to; if a claimant worked intermittently the County would not be privy to that information.

Another notable item we noticed from our interviews with staff and side-by-sides was, Payment Requests (for checks remitted to the VEC) are sent to the Department of Finance (DOF) without support. As per the Financial Policy Statement (FPS) 630 for Non- Purchase Order Payment Requests (for which sensitive data is detailed on the invoice), the information may be redacted or held in the department. Our review did reveal that VEC submitted Payment Coupons for invoices and credit memos intermittently to DHR-Payroll Division as remittance advice. These documents do not contain any sensitive employee information. Detailed on this document are the; quarter ending date, due date, remitting entity, employer number, amount due, and amount remitted. Given the lack of consistency at which this document is received, we endeavored to identify other support for the Payment Request to DOF for VEC reimbursements. DHR – Payroll Division staff provided us with a VEC Response Letter which details all the relevant remit information. We recommended that this document be completed by a DHR – Payroll Division staff member and signed off by the Division Chief or her designee. This document could then be utilized to support the Payment Requests.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
DHR Participates in Fact Finding Interviews with VEC	Satisfactory
DHR Has the Right To Appeal	Satisfactory
Payment Requests for Remittance to VEC is Submitted to DOF without Support	Needs Improvement
Review of Original Notice of Liability for Unemployment Insurance from VEC for Terminated Employees	Needs Improvement

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> DHR participates in fact finding interviews with VEC to provide insight and reasons as to the termination of employees. DHR has the right to appeal VEC's determination of terminated employee's eligibility. 	<ul style="list-style-type: none"> No documentation is provided for Unemployment Insurance Liability (Payment Requests) to DOF. Staff does not perform a review of the County's Unemployment Insurance Notice of Liability to ensure that it reflects only County terminated employees.

OBSERVATIONS AND ACTION PLAN

The following table(s) detail observation(s) and recommendation(s) from this study along with management’s action plan(s) to address these issue(s).

Fairfax County Office of Financial and Program Audit

SUPPORTING DOCUMENTATION FOR UNEMPLOYMENT INSURANCE LIABILITY (PAYMENT REQUESTS) TO DOF

Risk Ranking

LOW

Our review revealed that Payment Requests to DOF by DHR for Quarterly Reimbursable Billings to the VEC are submitted via email. The Payment Request Form details the; general ledger account, cost center, amount, vendor name, payment date, invoice number, and fund number. No remittance advice or any other support is provided. DHR asserts that requests are submitted in this manner as they are protecting sensitive employee data and this method is allowed by the Financial Policy Statement (630) – Non-P.O. Payment (Exception Sensitive Data Invoices). During our interview OFPA was provided with a VEC Response Letter completed by DHR - Payroll Division staff which details all of the relevant remit advice and reflected **no Sensitive Employee Data.**

Recommendation

We recommend that consideration is given to attaching copies of these VEC Response Letters (completed by DHR – Payroll Division staff and signed off by the DHR – Payroll Division Chief or her designee) to the Payment Requests for review and approval by DOF. The letter details a reconciliation of the County’s liability for the period. We are aware that payment coupons and credits are submitted to the County from VEC but as communicated by DHR – Payroll Division these coupons as received intermittently. While these documents would provide sufficient support for the County’s liability for the period, in light of the inconsistent manner at which these Payment Coupons are received, the best alternative would be submitting the VEC Response Letter along with the Payment Request. This practice would assist DOF in maintaining complete A/P voucher package in their department. This remedy has been discuss with the DOF Director and the DHR – Payroll Division Chief.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kathy Mehraban	Implemented	Kathy.Mehraban@FairfaxCounty.gov

MANAGEMENT RESPONSE:

The recommendation has been discussed and implemented. As a point of further clarification, there was an exception granted to Payroll by the Department of Finance previously to NOT attach detailed information due to the SSN’s of employees on the documentation. Also, we believe there are numerous checks and balances in place. Furthermore, as stated on the submission to DOF under the old system, the backup has always been available for review during an audit. There was no finding of the backup not matching the payment request. We agree that the cover letter, in its current state, itemizing the payment will meet the needs of everyone involved.

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REVIEW OF UNEMPLOYMENT INSURANCE LIABILITY BASED ON ORIGINAL NOTICE OF LIABILITY

Risk Ranking

LOW

Our review revealed that the VEC forwards Notices of Liability for Unemployment Insurance Claims to the DHR - Payroll Division directly after the County's terminated employees' file a claim. This notice details the County's liability based solely on the prior quarter's wages earned. Subsequently, DHR –Payroll Division receives a Quarterly Reimbursable Billing which details County employees and amounts paid to those employees by VEC. As per our interview, neither of these reports are reconciled by DHR – Payroll Division to records in the HCM module in FOCUS upon receipt to ensure that only County employees are reflected on the reports. We are aware that employee payroll information is forwarded to the VEC from DHR – Payroll Division. Reconciling the employee information reflected on the Notice of Liabilities and Quarterly Reimbursable Billings (at time of receipt) would assist staff in gaining some assurance that the County is only incurring costs for which we are responsible. It should be noted that this practice would only validate the existence of the employees' in the County's records. As stated on the Quarterly Reimbursable Billing "If a discrepancy is found, inquiries may be made by calling the Benefit/Payment Charge Unit." This statement intimates the assertion that a review should be performed by personnel.

Recommendation

Given that sole reliance in on VEC to compile the Quarterly Reimbursable Billing for the County to remit, we recommend that consideration is given to reconciling original Notices of Liabilities and Quarterly Reimbursable Billings (at time of receipt) to payroll records in HCM module in FOCUS to validate the employees' existence. This practice would provide some assurance that the County is only incurring costs for which we are responsible.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Kathy Mehraban	Implemented	Kathy.Mehraban@FairfaxCounty.gov

MANAGEMENT RESPONSE:

The recommendation has been discussed and implemented. However it should be noted, in the sampling requested – **all** employees on the bill were in the County payroll system. DHR – Payroll Division's first step to having the VEC remit a bill starts with the claimant process. There are many checks and balances to ensure the correct Federal ID and employee (matched through their social security number and other verification during the claims process) are performed before the actual bill arrives. In addition, the frequency and dollar liability to the County is also very low when compared to other payroll liabilities.

List of ACRONYMS

BPOL	Business Professional Occupational License
CSB	Community Services Board
DPSM	Department of Purchasing and Supply Management
DPWES	Department of Public Works and Environmental Services
DPZ	Department of Planning and Zoning
DTA	Department of Tax Administration
DVS	Department of Vehicle Services
FBSG	FOCUS Business Support Group
FCPA	Fairfax County Park Authority
FCPS	Fairfax County Public Schools
FMD	Facilities and Management Department
FOCUS	Enterprise Resource Planning System
FPS	Financial Policy Statement
FY	Fiscal Year
NCC	Nationwide Credit Corporation
NGF	National Golf Foundation
TACS	Taxing Authority Consulting Services