



# DEPARTMENT OF GENERAL SERVICES'

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2019

Auditor of Public Accounts  
Martha S. Mavredes, CPA

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## AUDIT SUMMARY

We audited the Department of General Services' (General Services) fleet vehicle operations administered by the Office of Fleet Management Services and followed up on two findings related to third party service providers and purchasing cards for the fiscal year ended June 30, 2019. We found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system;
- two matters involving internal control and its operation necessary to bring to management's attention;
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to prior audit findings identified as resolved in the [Findings Summary](#) in the Appendix.

We did not review management's corrective action on prior audit findings identified as deferred in the Findings Summary. We will follow up on these findings in a future audit. Additionally, we did not follow up on the recommendations included within the [Internal Control Questionnaire Review](#) completed in June 2019 or the [Review of Department of General Services Tenant Project Management Services](#).

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## AUDIT FINDINGS AND RECOMMENDATIONS

### **Complete Purchase Card Reconciliations Timely**

**Type:** Internal Control

**Repeat:** Yes (first issued in fiscal year 2015)

**Prior Title:** Improve Controls over SPCC Reconciliations

The Department of General Services (General Services) did not complete their small purchase charge card (SPCC) monthly reconciliations timely or receive proper approval from their immediate supervisor. Three out of ten (30%) sampled cardholders did not timely review their monthly SPCC reconciliations. Additionally, four out of ten (40%) sampled supervisors did not timely review and approve the monthly SPCC reconciliations.

General Services' SPCC policies and procedures require that cardholder complete the monthly reconciliation by the 5<sup>th</sup> day of the month following the end of the period being reconciled. Additionally, the Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 20355 – Purchasing Charge Card states that the cardholders' immediate supervisor must review and approve reconciliations prior to receipt of the next month's statements.

Delaying the approval of cardholder reconciliations could affect the Accounts Payable Department's ability to reconcile cardholder statements to the Bank of America payment. Additionally, not preparing and/or approving SPCC reconciliation logs in a timely manner may result in the inability to detect fraudulent transactions or purchases that may cause financial loss to General Services and the Commonwealth, inadequate documentation maintained to support and validate SPCC transactions, or vendor overcharges that are not detected or corrected timely. The untimely reconciliations and lack of approval are due to insufficient oversight from cardholders and supervisors.

General Services should ensure that SPCC reconciliations are prepared and reviewed timely in accordance with internal policies and procedures and CAPP Manual Topic 20355. General Services should ensure that adequate education and training of cardholders and supervisors is implemented to ensure requirements are followed.

### **Strengthen Controls over Small Purchase Charge Card Operations**

**Type:** Internal Control

**Repeat:** No

The General Services did not retain adequate supporting documentation for SPCC purchases and did not properly approve charges to excluded Merchant Category Codes (MCC). Based on a review of 15 employees who charged amounts to restricted MCCs, five were missing required supporting documentation and proper approval. Additionally, a General Services employee exceeded their monthly allowable limit without requesting prior approval from the Department of Accounts (DOA).

CAPP Manual Topic 20355 – Purchasing Charge Card indicates that Program Administrators are allowed to remove, for valid reasons only, any of the five restriction tables (Travel, Car Rental, Gas/Oil, Restaurant/Food, Accommodation). It is the responsibility of the agency's Program Administrator to review the cardholder's account periodically to assess if the permanent restriction removal is still needed, and to maintain a file with the requests and associated backup. Additionally, CAPP Manual Topic 20355 also indicates that changes to Gold Cards can only be made by the DOA's Global Program Administrators. Each agency Program Administrator is responsible for the day-to-day maintenance of the Gold Cards (i.e.: submission of limit increase/decrease requests and restriction removals, review of transactions, etc.). The lack of properly approving and documenting exemptions for MCCs and monthly limits can result in the misuse or fraudulent use of the SPCCs. Improper use of SPCCs can affect the accounts payable process at General Services or allow the misuse of funds.

The lack of supporting documentation for removing MCC restrictions and the improper implementation of CAPP Manual procedures for requests and approvals are due to insufficient oversight from cardholders and supervisors. General Services should ensure cardholders and supervisors are aware of the necessary requirements to retain supporting documentation. General Services should also ensure cardholders and supervisors are aware of the proper process to request any exemptions and increases are properly approved by supervisors and DOA, if necessary.

## AUDIT SCOPE OVERVIEW

### Office of Fleet Management Services

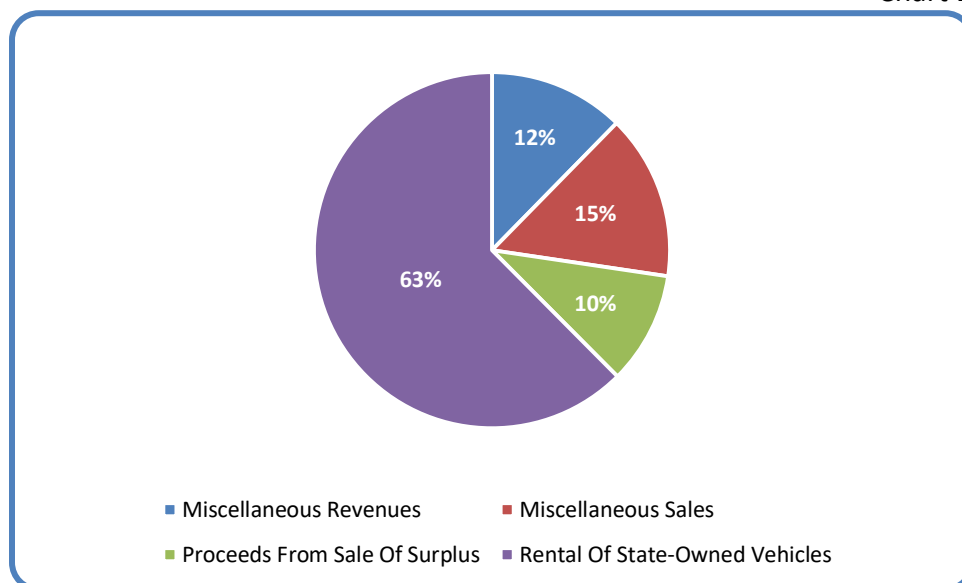
The Office of Fleet Management Services (Fleet Management) is a division of General Services that provides statewide vehicle management services to state agencies and institutions. Fleet Management is responsible for the management of the centralized fleet and for developing, administering, monitoring, and enforcing all policies and procedures concerning fleet vehicle assignment, use, maintenance, repair, and replacement for the Commonwealth.

Our audit of Fleet Management focused on vehicle procurement, use, maintenance, inventory, and the surplus process. Fleet Management operates as an internal service fund and receives revenue from other state agencies and receives no general funds. The funding from the fees charged to state agencies and institutions is used to fund operations and fleet procurement and maintenance.

Fleet Management maintains approximately 4,000 fleet vehicles for use by state agencies and institutions. In fiscal year 2019, Fleet Management procured approximately 500 vehicles and approximately 450 vehicles were sold for surplus. Fleet vehicle procurements are based on available budgets, age of vehicles, and vehicle availability. Commonwealth agencies and institutions must submit an application to Fleet Management to initiate the purchase of a vehicle. Fleet Management requires that the agency or institution include an actual business reason to obtain a vehicle and justify the kind of vehicle that is required. Chart 1 below details the different revenue sources for Fleet Management for fiscal year 2019.

**Fleet Management Revenues Sources  
Fiscal Year 2019**

Chart 1



Source: Commonwealth's accounting and financial reporting system

### **Prior Year Purchasing Card Finding**

We followed up on one prior year finding relating to purchase cards from the fiscal year 2015 audit report to determine if management implemented adequate corrective action. General Services uses purchasing cards to streamline purchases for various needs across the eight different business units within the agency. General Services has 53 employees with purchase cards. These purchasing cards accounted for approximately \$14,067,788 (5.21%) of total expenses for fiscal year 2019. We reviewed purchase cards to ensure adequate corrective action has been implemented from the fiscal year 2015 audit report. In addition, purchasing cards are inherently risky, and General Services has had issues with purchase cards in the past. As a result, we included purchasing cards as an objective of this audit.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

## *Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

July 23, 2020

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Kenneth R. Plum  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the Office of Fleet Management Services (Fleet Management) operations of the **Department of General Services** (General Services) for the year ended June 30, 2019. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Audit Scope and Objectives**

Our audit's primary objectives with regard to Fleet Management operations were to evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system, review the adequacy of the General Services' internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements. We also reviewed corrective actions for select audit findings from the prior year report. See [Findings Summary](#) included in the Appendix for a listing of prior year findings and the status of follow-up on management's corrective action.

### **Audit Methodology**

General Services' management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the General Services' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements as they pertain to our audit objectives.



Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the General Services' operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We found that the General Services properly stated, in all material respects, transactions recorded and reported in the Commonwealth's accounting and financial reporting system, relating to the audit objectives.

We noted certain matters pertaining to purchasing cards, involving internal control and its operation that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations." The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements, as they pertain to the audit objectives, disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

General Services has taken adequate corrective action with respect to select audit findings reported in the prior year that are listed as resolved in the Findings Summary in the Appendix.

### **Exit Conference and Report Distribution**

We discussed this report with management on July 30, 2020. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Martha S. Mavredes  
AUDITOR OF PUBLIC ACCOUNTS

KJS/clj

## FINDINGS SUMMARY

Finding	Follow Up Status	Year(s) Issued
Improve Oversight of Third-Party Service Providers	Resolved	2015
Complete Purchase Card Reconciliations Timely	Repeat*	2015, 2019
Strengthen Controls over Small Purchase Charge Card Operations	New	2019
Improve PeopleSoft to CARS Reconciliation Process	Deferred**	2015
Develop and Implement a Capital Asset Policy***	Deferred**	2019
Capitalize Construction and Improvement Costs***	Deferred**	2019
Maintain Schedule of Construction in Progress***	Deferred**	2019
Properly Perform and Document Construction in Progress Reconciliations***	Deferred**	2019
Capitalize Assets Upon Substantial Completion***	Deferred**	2019

\*Follow-up Status on prior year findings identified as “Repeat” indicates sufficient corrective action on a prior recommendation is not complete; therefore, the prior year finding has been fully or partially repeated.

\*\*Follow-up Status on prior year findings identified as “Deferred” indicates review of management’s corrective action on a prior year finding will be performed in a future audit.

\*\*\*Findings issued in the [Review of the Department of General Services' Capital Outlay and Maintenance Reserve Project Accounting Report](#).



**COMMONWEALTH of VIRGINIA**  
*Department of General Services*

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Deputy Director

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August 10, 2019

Ms. Martha S. Mavredes  
The Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Mavredes:

Thank you for the opportunity to respond to the Auditor of Public Accounts' review of General Services' fleet vehicle operations, follow-up on two findings related to third party service providers, and purchasing cards for the fiscal year ended June 30, 2019. Overall, we agree with the findings regarding our agency. During the period of the audit, the Department was understaffed in the Central Procurement Unit causing strain on operations. Since this audit, the Central Procurement Unit is adequately staffed and have implemented measures to ensure proper steps are taken related to the small purchase charge card program.

The Department will continue to take the necessary actions to address the findings contained in the report. We appreciate the professionalism of your staff and thank you for working with us.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Damico", written over the printed name.

Joseph F. Damico

## DEPARTMENT OF GENERAL SERVICES

as of June 30, 2019

Joseph Damico  
Director

Sandra Gill  
Deputy Director

Bryan W. Wagner  
Controller

Beth Cooley  
Director of Office of Fleet Management Services