

September 23, 2013

The Honorable Angela Vick
Citrus County Clerk of the Circuit Court
and Comptroller
Inverness, FL

Objective:

We have completed our review of the Board of County Commission's Purchasing procedures for the period of October 1, 2010 through September 30, 2012, the objective of which was to evaluate compliance with the Office of Management and Budget's Administrative Regulations and Statutory requirements related to purchasing and not to express an opinion on the Board of County Commission's internal control over purchasing. Accordingly, we do not express an opinion on The Board of County Commission's internal control over purchasing.

Scope:

We were engaged to review the procurement procedures as documented in the Office of Management and Budget's Administrative Regulations which included the following documentation:

1. 106 Requests for Proposals/Qualifications/Invitations to Bid
2. 6,173 Purchase Requisitions
3. 6,308 Purchase Orders
4. 4,209 Automatic Clearing House (ACH) payments
5. 33,635 Checks
6. Receipt and inspection of goods and services
7. Vendor registrations
8. And payments to vendors

Overall Assessment:

Our review indicates that the Office of Management and Budget has designed controls that are effective at reducing the Board of County Commission's exposure to internal control risks, but some controls are not consistently applied. Improvements are recommended to achieve a fully effective system of internal controls. See attached findings and recommendations along with staff responses.

Williams, McCranie, Wardlow & Cash, P.A.
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Findings and Recommendations

Purchase Orders:

1. Criteria: Per AR: 9.05 Purchase Orders: Procedure: b.2.(a): "Open Purchase Orders shall not be used to purchase items with a unit cost greater than \$1,000, except for the maintenance and replacement of existing items purchased through the Office of Fleet and Transportation Management."

Cause: Purchase Orders were found displaying a unit cost greater than \$1,000 and not purchased through the Office of Fleet and Transportation Management. After interview with client it was noted that "the interpretation and understanding with OMB is that individual items purchase from an Open PO shall not exceed \$1,000 each. Therefore, an Open PO may actually exceed \$1,000 in total but the item purchased shall not." Auditor examined the invoices against these purchase orders and found the unit costs to be consistent with the client response.

Recommendation: If the response of client personnel is accurate, we recommend that the Administrative Regulations are changed to reflect this condition. The issues of this finding are reflected in finding #1 in regards to requisitions. A more accurate description on the requisition will help to avoid this situation, such as a detailed itemized description, of unit cost, quantity, and total cost of items to be purchased.

Clerk Response: We partially concur and will provide training to the staff as necessary. The software limits the number of spaces and there are times when the Vendor may dictate required information on the PO, which will supersede the AR.

OMB Proposed Response: The Administrative Regulation will be changed to reflect the recommendation.

2. Criteria: Per AR: 9.05 Purchase Orders: Procedure: b.2.(b): "Open Purchase Orders must list the name of employees authorized to charge purchases against the Open Purchase Order."

Cause: Some Open Purchase Orders were found to not list authorized employees or "See List" was written. After interview with client, it was found that the authorized personnel list sometimes may exceed the space available in the accounting system. These lists were not included with the PO in the paperless system but were made available upon request.

Recommendation: We recommend that the Administrative Regulations be changed to reflect the "See Authorized Personnel List" or to seek help with the software company to allow increased space in the descriptions of Purchase Orders.

Clerk's Response: We concur and will update the Authorized Personnel List, at minimum, on an annual basis as well as when authorized personnel changes occur, we will provide training to the staff as necessary.

OMB Proposed Response: AR 9.05 Purchase Order: Procedure: b.2.(b) will be updated to reflect the recommended change.

3. Criteria: Per AR: 9.05 Purchase Orders: Procedure: b.2.(c & d): "Open Purchase Orders must indicate the starting and ending period for which the Open Purchase Order is to be utilized. Periods of utilization shall be either quarterly, semiannually, or annually. Once the period of utilization has expired, the Open Purchase Order shall expire, unless, it is renewed for an additional period through a Change Order prior to the expiration of the original utilization period. Open Purchase Orders shall automatically expire on the last day of the County's fiscal year."

Cause: A starting period is not listed on any of the Open Purchase Orders. The period of utilization is not listed anywhere on the Purchase Order. A Purchase Order's ending date was after the fiscal year end. After interview with client, the starting period is the issue date of the Purchase Order. Nearly all Open Purchase Orders are annual. If the Open Purchase Order is for a current county contract/bid or grant contract, the expiration date is the date that the contract is complete.

Recommendation: We recommend that the Administrative Regulations be changed to reflect the details of this situation.

Clerk's Response: We concur.

OMB Proposed Response: AR 9.05 b.2.(c & d) will be updated to reflect the recommended change.

4. Criteria: The finance department has adopted a 5 tier level of approval system to approve purchases. These levels have been set up to reflect the threshold amounts in AR 9.02-10 Purchasing Policies. However, these do not completely agree. This system is used in the online paperless system to approve purchase orders. Level 1 authorization is reserved for individuals in Accounts Payable, this is the final approval level verifying that all required approvals have been acquired and that the purchase order meets all necessary criteria. Level 2 authorizations are reserved for the County Administrator, and Level 3 authorization is for the Office of Management and Budget's approval. Level 4 and Level 5 are approvals at the departmental level.

Cause: The Finance Department provided a list of personnel who had authority to approve in each tier levels 1 through 3. This list also provided the date ranges that each employee had level 1, 2, or 3 authorization statuses. Per the authorization list provided, employees were found approving purchases outside the date ranges for which they were authorized in Levels 1 and 2. Per the AR guidelines, the County Administrator shall have the authorization to approve all purchases valued less than \$25,000. Per Finance Department Procedures, the County Administrator may approve purchases up to \$24,999.99; however, it states that the County Administrator uses a designee from OMB. The Finance Department Procedures have not been validated or approved by OMB, the department in charge of implementing policies and procedures. It was found that the County Administrator has delegated authorization to approve purchases to a director of OMB. It should be noted that delegation of this type precedes the years under audit. It should also be noted that per AR 9.02-10, "the County Administrator shall be responsible for supervising the awarding of all Purchase Orders and Contracts for all commodities and services under this Administrative Regulation."

Recommendation: We recommend that the AR guidelines and the Financial Services Department Procedures be evaluated and formally approved. Both policies and procedures should be updated to reflect how the process is currently being completed and to reflect one another. We also recommend that these records be updated annually to reflect accurate authorization and that all levels of authorization be approved by OMB. We also recommend that the AR guidelines specifically state that the County Administrator may delegate his approval duties.

Clerk's Response: We concur.

OMB Proposed Response: AR 9.01-12, Purchasing Policies will be updated to include the accounting software approval levels, and amended to state the County Administrator may delegate his/her approvals.

Requisitions:

1. Criteria: Per AR: 9.02 Requisitioning procedures, Procedure: b: "The description column on the purchase requisition form will clearly describe what is being purchased. The use of part numbers or other non-descriptive codes alone is inadequate."

Cause: Requisitions were found not having a description of the purchase.

Recommendation: Take greater care in entering/inputting all required data accurately.

Clerk Response: We partially concur and will provide training to the staff as necessary. The software limits the number of spaces and there are times when the Vendor may dictate required information on the PO, which will supersede the AR.

OMB Proposed Response: AR 9.02 Procedure b. will updated to include verbiage that use of part numbers or other non-descriptive codes alone is not adequate unless the Vendor requires such information or the software limitation prohibit expanded description.

2. Criteria: Per AR: 9.02 Requisitioning procedures, Procedure: c: "The location to which the item or service will be delivered by the vendor shall be entered in the 'Ship To:' section of all Requisition forms. The 'Bill To:' address will also need to be completed."

Cause: Multiple Requisitions were found not to list the "Bill To" address.

Recommendation: Take greater care in entering/inputting all required data accurately.

Clerk Response: We concur.

OMB Proposed Response: We concur.

3. Criteria: Per AR: 9.02 Requisitioning procedures, Procedure: d: "The name of the party requesting or inputting the purchase requisition should be placed in the requestor box on the online requisition form..."

Cause: On the requisition forms, only a buyer area is available.

Recommendation: Revise the policies to reflect the actual input in the software.

Clerk Response: We concur.

OMB Proposed Response: The AR will be updated to reflect the recommended change.

4. Criteria: Per AR: 9.02 Requisition procedures, Procedure: g: "Prior to issuing a purchase order, the Finance Department will pre audit the requisition form to ensure that funds have been budgeted for the purchase, that the form is filled out completely, that it has received all the required approvals, and that the requisition is for the purchase of items or services allowed by purchasing regulations."

Cause: There is no documentation or form to show that this "pre-audit" step has been completed. No documentation exists to show that a requisition has been approved. Requisitions that become purchase orders have essentially been approved.

Recommendation: Adopt a policy to require that a "pre-audit form" must be filled out to ensure that the requisition meets all required criteria. This form should also be kept in the paperless system with the completed requisition as well as any and all other required support, approvals, etc.

Clerk Response: We do not concur with a "pre-audit form". In the Finance Standard Operating Procedures (SOP), there is a "checklist" of the criteria that must be met in order for a requisition to be approved. When ALL of the criteria have been met the requisition is approved, therefore satisfying our "pre-audit" requirement(s).

OMB Proposed Response: N/A

5. Criteria: Per AR: 9.02 Requisition procedures, Procedure: h: "If the requisition is incomplete or disapproved at any of the above stages, it shall be returned to the Department requesting the purchase. "

Cause: There is a weakness within the accounting system. When a "requestor" opens a requisition, the system auto populates the requisition number field with the next available requisition number. If at any time, the requestor closes or cancels out of that particular request, that requisition number is lost. A separate issue exists in that the requestor may change the requisition number to any number. The number could be changed to: the next number in the sequence, a number further in the sequence leaving a gap, or a number that has already been used.

Recommendation: Seek technical help from the software company on how to remedy this situation.

Clerk Response: We do not concur. The Requisition number is an internal reference number, not a control number. There are no financial or contractual obligations derived from this request to purchase. In addition, the software is not capable of tracking the numbers sequentially, nor does it provide a type of *exceptions* report.

OMB Proposed Response: N/A

ACH:

1. Criteria: AR 9.02, Requisitioning Procedures list 8 items that are not required to have a purchase order. During testing it was found that: late fee/deposit refunds, travel vouchers, payments on Sheriff Contracts, and Legal fees did not have purchase orders. These items are not listed as being exempt per AR 9.02.

Recommendation: Follow procedures prescribed by the OMB or update the procedures to reflect the handling of these transactions.

Clerk's Response: We partially concur. Late fee/deposit refunds, and legal fees may be added to the list not required to have a purchase order in AR 9.02, however, travel vouchers are guided by AR 7.15 and the Sheriff Contract is an intergovernmental transfer.

OMB Proposed Response: Management will review the items listed in AR 9.02i, purchases exempt from the purchase order requirement and modify as needed.

2. Criteria: During testing it was noted that the track flow audit process is not being fully utilized. The track flow audit is an Excel report that is generated after approvals have been entered into the online paperless system. Several instances were lacking the approval at the department level. The client response to this was that some invoices are received with the department approval written on the invoice.

Recommendation: Require that the online approval system in used in approving invoices for payment.

Clerk Response: We partially concur. We will encourage the use of technology whenever possible; however, for some departments the use of this technology may be problematic and/or impractical for this process.

OMB Proposed Response: N/A

Bid Procedures:

1. Criteria: When processing the compliance review sheet for ITB 015-11 the total cost of two of the bids was miscalculated causing the order of the second and third place bidders to be reversed.

Cause: Human error.

Recommendation: Take greater care in entering/inputting all required data accurately.

OMB Proposed Response: Bid Tabulations will be reviewed by another staff member to verify accuracy.

Cash Disbursements

- 1.) Finding: During testing it was noted that there were transactions in relation to workers comp and group health insurance that did not have a PO. Per AR 9.02i, 08 and AR 9.05a page 1, they fall under the scope of purchases that require a PO.

Recommendation: Follow the procedures prescribed by the OMB or update the procedures to reflect the handling of these transactions.

Clerk Response: We concur.

OMB Proposed Response: Management will review the items listed in AR 9.02i, purchases exempt from the purchase order requirement and modify as needed.

General Recommendations Noted During Testing:

- 1.) During testing it was noted in several instances that the department head approval was missing from the TrackFlow audit approval. Per the Financial Services Department's policy manual on Initial Invoice Validation (which does not appear to be authorized/approved by OMB), department heads can pre-approve invoices by initialing them, rather than approving them within the software (which will leave an audit trail). While using the paperless system to view approvals it became apparent that there was a lack of consistency. Auditor recommends that the Financial Services Department get together with OMB and validate the procedures, and also implement a consistent policy of department heads approving invoices within the software as it will add consistency to the new paperless accounting system.

Clerk Response: We partially concur as noted in ACH response number 2.

OMB Proposed Response: N/A