

**CityNet (Procurement) Follow-Up Audit
April 2010**

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CityNet (Procurement) Follow-Up Audit



Office of the City Auditor

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April 30, 2010

Executive Summary

*Two of three
recommendations were
fully implemented*

Fully Implemented

- *Track professional service contracts in Lawson*
- *Monitor after-the-fact purchase orders and notify departments of noncompliance*

Partially Implemented

- *Compare City vendors to a download from the debarred vendors list*

The City Auditor's Office has completed a follow-up to the August 2009 CityNet (Procurement) Audit. The follow-up audit was conducted 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. The objective of the follow-up was to determine the implementation status of prior audit recommendations.

The initial CityNet (Procurement) Audit included three recommendations for which management concurred. The follow-up audit indicated that two of the three recommendations were fully implemented and one was partially implemented.

Management fully implemented recommendations related to tracking professional service contracts through the use of service purchase orders and monitoring the use of after-the-fact purchase orders, including notifying departments of noncompliance.

Management partially implemented the recommendation concerning a download from the Excluded Parties List System (EPLS) to compare to the City's vendor database. The EPLS includes information regarding entities debarred, suspended, proposed for debarment, excluded or disqualified, or otherwise declared ineligible from receiving Federal contracts, certain subcontracts, and certain Federal assistance and benefits. Management indicated that due to the recent outsourcing of the accounts payable function and the implementation of the Lawson Strategic Sourcing Module, time constraints have prevented staff from determining if an EPLS download is feasible and beneficial.

Audit Scope and Methodology

The City Auditor's Office reviewed activity in the Purchasing Division since January 2009. The following methodology was used in completing the audit.

- Interviewed Purchasing Division and Financial and Management Resources staff responsible for and knowledgeable of actions taken to implement initial audit recommendations
- Reviewed updated policies and procedures
- Observed newly created monitoring reports and procurement training materials made available to staff

Status of Prior Audit Recommendations

Recommendation:

The City Manager should require that departments using professional service contracts utilize the service PO function in Lawson to track their contracts and expenditures.

Management's Response:

Concur. [The Purchasing Division will:]

- a) Add a statement in the Purchasing Manual, requiring that Professional Services (engineering, personal, etc.) be entered into Lawson as a PO to facilitate payment tracking;*
- b) Continue with current quarterly training to end users on how to enter Professional Services POs in such a way that they can be easily identified and distinguished from goods/services POs; and,*
- c) Continue tracking quarterly goods/services expenditures and breaking apart Professional Services PO data. Will forward Professional Services portion to the City Manager's Office for review and compliance with known professional services contracts.*

Target Date: 11/15/2009

Responsibility: Debra Carrejo, Purchasing Manager

Implementation Status:

Fully Implemented. The Purchasing Manual was updated on January 8, 2010 to include verbiage stating that professional service contracts should be entered into the Lawson procurement system and shall be encumbered through the use of a purchase order (PO). The Purchasing Division also drafted a User's Guide to Contracting for Professional Services that details how to enter and track professional service contracts in Lawson. The Purchasing Division does not currently have a training class dedicated to professional service contracts, but does address it in procurement training classes offered quarterly. According to the Purchasing Division, they also continue the practice of quarterly tracking professional service POs entered into Lawson.

Recommendation:

The Financial and Management Resources Director should establish controls to monitor the use of after-the-fact purchase orders for non-exempt purchases and should notify Department Heads of continued noncompliance.

Management's Response:

Concur. [The Purchasing Division will:]

- a) Work with IT to modify the existing PO254 quarterly tracking report to add column of "Invoice Date" for comparison with PO date. If this option is not viable, then create new report to be run/evaluated quarterly;*

- b) *Update Purchasing Manual to incorporate specific exemptions such as resale/aborted p-card transactions; and,*
- c) *Formally notify directors when their department is habitually posting non-exempt after-the-fact POs.*

Target Date: 11/30/2009

Responsibility: Debra Carrejo, Purchasing Manager

Implementation Status:

Fully Implemented. The Purchasing Division has created a modified PO254 report that includes a field for invoice date. The Purchasing Division has also updated the Purchasing Manual to include specific exemptions concerning after-the-fact POs such as resale and aborted procurement card transactions. In addition to a revised policy, the Purchasing Division has developed the following new procedure. Upon review of the modified PO254 report, Purchasing staff contact department representatives, via email, if after-the-fact POs are identified. Department Heads are notified if flagrant or habitual violations are identified. Enforcement of this new requirement will begin after FY2010 second quarter reports are completed and reviewed. Management is currently exploring how to best utilize SourceNet, the vendor responsible for the City's outsourced Accounts Payable function, to track the use of after-the-fact POs and notify departments of noncompliance.

Recommendation:

The Financial and Management Resources Director should ensure that a download of debarred vendors is obtained via EPLS.gov and periodically compared to the City's vendor database to ensure that current vendors have not been debarred after being entered into the system.

Management's Response:

Concur. [The Purchasing Division will:]

- a) *Continue current Purchasing Division practice of checking all vendors prior to initial set-up in Lawson AP10 screen;*
- b) *Continue current Purchasing Division practice of re-checking any vendors as contracts are implemented, renewed, or modified;*
- c) *Require that documentation verifying a recheck of vendor status will be formalized as part of the renewal process; and*
- d) *Staff will review the EPLS download capabilities and evaluate the cost/benefit and feasibility of comparing the two databases; noting areas that stop such an attempt (Tax-IDs unavailable in federal download).*

Target Date: Ongoing

Responsibility: Debra Carrejo, Purchasing Manager

Implementation Status:

Partially Implemented. The Purchasing Division has continued its practice of checking all vendors against the EPLS at the time the vendor is set-up in Lawson and as contracts are implemented, renewed or modified. The Purchasing Division has also implemented a Bid Contract Sheet that is included in bid files. The Bid Contract Sheet details contract and renewal information including the date that EPLS was reviewed and by whom. According to the Purchasing Division, the cost/benefit and feasibility analysis of obtaining an EPLS download to compare to the City's vendor database (to ensure that vendors contracting with the City were not debarred after being entered into Lawson) has not begun. The Systems Analyst within the Financial and Management Resources Department will be assigned this task. However, due to the outsourcing of the accounts payable function and implementation of the Lawson Strategic Sourcing Module, there has not been adequate time to address this issue.