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GWEN MARSHALL

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
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DIVISION OF INTERNAL AUDITING

Audit No. 22A-04
Purchasing Process Review - Board

October 24, 2022

What We Did

The Division of Internal Auditing (IA), in accordance with its 2021-2022 annual audit plan, evaluated procurement processes for Leon County Board of County Commissioners (BoCC) operations. The objective of this engagement was first to determine the existence of updated purchasing policies and adherence by personnel. Additionally, this engagement assessed the design of controls over data management, data integrity, and access controls.

IA evaluated governance, risk management, and internal controls over procurement processes by performing the following:

- Researching the industry's best business practices to understand relevant risks and controls
- Reviewing internal policies and procedures to evaluate the design of the existing internal controls framework
- Reviewing Florida Statutes Chapter 274, Tangible Personal Property Owned by Local Governments, and Chapter 287, Procurement of Personal Property and Services
- Reviewing job descriptions of purchasing personnel
- Interviewing senior management to learn about their oversight and corporate governance
- Interviewing management and staff to assess familiarity with Purchasing policies and procedures
- Reviewing Purchasing pertinent databases to evaluate access controls, maintenance, data integrity, and proper segregation of duties when assigning roles
- Reviewing purchases processed from October 1, 2021 through June 30, 2022, to evaluate adequate support, approvals, and compliance with existing policies

What We Found

During our review of procurement processes, IA identified the following:

The Purchasing Policy

- Defines purchasing terms that are not used consistently throughout the document. This may lead to misinterpretation of the policy and dealignment from its original intent.
- Includes inaccurate categorization of financial thresholds which may lead to noncompliance.
- Lacks defining language to clearly establish parameters over the use of purchasing cards (P-Cards). Additionally, the P-Card policy has not been updated since 2013.

The Fixed Assets Purchase analysis

- Identified 2 instances out of 38 purchasing transactions reviewed where a P-Card was used to purchase fixed assets as opposed to Purchase Orders which is the required method for fixed assets purchases.

<https://cvweb.leonclerk.com/public/index.html>

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The P-Card Purchases analysis

- Identified 5 P-Card purchases of warehouse materials over the authorized single purchase limit.
- Noted single purchase and monthly credit limit increases.
- Neither of the exceptions noted above included underlying support of authorization.

The Vendor Master File (VMF) analytics revealed the following potential duplicates (due to unexpected turnover, management is still pending review and confirmation of these instances):

- Instances (628) of duplicate vendor names with different addresses
- Instances (782) of duplicate addresses with different vendor names
- Instances (32) of duplicate vendor names with the same address
- Instances (104) of similar vendor names
- Instances (7) of vendors with no activity after 2016

The Access Controls analysis

- Identified 21 users with access to modify the VMF. *Management reviewed, confirmed, and removed 18 users whose roles did not justify access to the VMF.*
- Noted 61 user accounts with access to the Direct Deposit Recipient table. *Management concurred only 3 employees needed access to modify this table. Read-only access was given to 9 accounts. All other accounts were deactivated.*
- Identified 21 user accounts with access to the Payroll Pay Rate table. *Management concurred and deactivated 10 accounts, leaving access to 10 users and read-only access to 1 user.*

Banner Access Roles

IA reviewed the Banner access roles of 12 purchasing employees and *management concurred to:*

- *Remove access from 2 employees to enter and modify Purchase Orders.*
- *Deactivate 6 user accounts with access to modify Warehouse database.*
- *Remove access from 7 employees to lock down warehouse inventory.*

What We Recommend

Management took a proactive approach to remediate issues as they were communicated. Therefore, these recommendations apply only to instances not yet addressed by management:

- IA provided a spreadsheet to management detailing areas of opportunity to enhance the Purchasing and the P-Card Policies. Senior and Mid-Management should perform a thorough review of these policies and update accordingly to ensure alignment with the County's mission.
- Exceptions and credit limit increases should be authorized and properly documented.
- Management should prioritize the review and cleaning of the Vendor Master File to minimize the risk of unintended disbursements.

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BACKGROUND AND INTRODUCTION

The County’s Purchasing Department (Purchasing) is responsible for the procurement of supplies, equipment, and services for all departments under the Board of County Commissioners, the Sheriff’s Office, Court Administration, and the Supervisor of Elections. Purchasing administers the competitive solicitation process and coordinates all associated bid awards, proposals, evaluation processes, and contract development. Purchasing also administers the County’s Warehouse, Property Control, and Purchasing Card programs. The Purchasing Director is charged with the authority¹ to develop policies and procedures for the effective operations of these programs. The Purchasing Director is assisted by a Senior Administrative Associate, a Procurement Administrator, a Contract Compliance Specialist, a Purchasing Agent/Property Control, a Purchasing Specialist, and two Materials Management Specialists.

The procurement process is comprised of several purchasing methods. They include Petty Cash, Small Purchase Procedures, Blanket Purchase Orders (P.O.), Field Quotes, Purchasing Quotes, Informal and Competitive Bids, and Request for Proposals (RFPs). Purchasing Cards (P-Cards) is an alternative procurement method. See **Table 1** for procurement methods and thresholds.

Table 1 - Purchasing Process Thresholds²

Procurement Method	Threshold
Petty Cash/Reimbursement	Not to exceed \$100
Small Purchase Procedures	
Tangible Property/Controlled Asset	\$1 to \$1,000
Consumables	\$1 to \$2,500
Warehouse Operations	\$1 to \$5,000
Blanket Purchase Orders	
Non-contractual Basis	Not to exceed \$5,000
Contractual Basis	Not to exceed annual contract value
Field Quotes	
Tangible Property/Controlled Asset	\$1,000 to \$5,000
Consumables	\$2,500 to \$5,000
Purchasing Quotes	\$5,000.01 to \$50,000
Bid-Informal Bid Process-Standard	\$5,000.01 to \$100,000
Bid-Informal Bid Process for Tenant Renovations/Improvements to County Space Leased by Private Entities	\$50,000.01 to \$200,000
Bid-Competitive Sealed Bids	\$100,000.01 and above
RFP-Competitive Sealed Proposals	Purchasing Director-Authorized to Release RFPs Expected to Result in Costs No Greater than \$100,000 County Administrator-Authorized to release all RFPs

A combination of the dollar amount and procurement method determines the need for quotes, bids, or P.O. Contract awards, authorizations, and thresholds are set as follows:

- Procurement Agreements up to \$100,000 require approval by the Purchasing Director.
- Procurement Agreements greater than \$100,000 up to \$250,000 require approval by the County Administrator.
- Procurement Agreements greater than \$250,000 require approval by BoCC.

¹ Policy No. 96-1, Purchasing Policy, Section 4, Authority of Purchasing Director. “The Purchasing Director shall serve as the central purchasing officer of Leon County.”

² Policy No. 96-1, Purchasing Policy, Section 5, Purchasing Categories; Threshold Amounts

Purchase Orders

Generally, P.O. are used when procuring tangible property. During the period reviewed, October 1, 2021, through June 30, 2022, the County processed 1,444 P.O., for a total of \$98,558,797. Before P.O. are created, this process begins with manual requisitions initiated by the requesting department. All purchasing requisitions are processed through the Purchasing Department where the Purchasing Agent and Property Control Specialist is one of two authorized employees with access to create P.O. upon departmental requests. All requisitions are reviewed to ensure compliance with Purchasing Policies prior to creating P.O. in the system, Banner.

P-Cards

The objective of P-Cards in the procurement process is to provide employees with a convenient purchasing system.³ A P-Card Policy was developed to align these purchases to the County's Purchasing Policy. However, the P-Card Policy was last updated in 2013, and the lack of revision may have caused an inadvertent dealignment from the Purchasing Policy.

The P-Card program is administered by the Property Control Specialist who is responsible for authorizing, issuing, and granting P-Cards and corresponding credit limits. There are also thirteen P-Card administrators responsible for reviewing and reconciling the activity of the 508 authorized P-Card users. Credit limits generally range from \$5,000 to \$50,000 except for the Purchasing Director whose emergency limit is \$300,000. P-Card holders have both single and monthly purchase limits. They are monitored and reviewed by the administrators. During the reviewed period, the County transacted \$3,976,244 of P-Card purchases.

Access Controls

During the preliminary assessment, IA inquired about management involvement in monitoring activities to review user access to pertinent databases, adequate segregation of duties, and data integrity. The Vendor Master File (VMF), the Direct Deposit Recipient table, the Pay Rate table and selected Banner Classes were reviewed during this analysis.

Risks

Upon review of policies, procedures and understanding the County's procurement processes, IA evaluated the areas of higher risk for review as summarized below:

- Existence and compliance with policies and procedures.
- Adequate controls over the solicitation and bidding process.
- Data Integrity and Security over pertinent database tables.

Objectives

To evaluate the existence, design, and operating effectiveness of internal controls over the described risks, IA developed the following objectives:

- To determine whether purchasing policies exist, are clearly defined, and are adhered to.
- To determine whether data management controls have been designed to protect the integrity of the organization's database and to assess their operating effectiveness.

³ Leon County, Purchasing Card Policy, Section 1-General Information (A) Objective. – To provide a convenient purchasing system for County employees that complies with Board purchasing directives and internal controls in the provision of cost-effective superior services.

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RESULTS OF REVIEW

Review of the County's procurement processes resulted in the following:

Purchasing Policy. - IA reviewed pertinent purchasing policies and procedures. During this review, IA noted the following:

- The requirements for the use of Purchasing Quotes are not consistent throughout the policy. One section specifies the use of written documents to support purchasing quotes while another section suggests the option of oral quotes.
- The financial thresholds established in the Purchasing Policy include overlapping limits in two separate categories. Since the purchasing requirements vary for each category, the overlap in the purchasing limit may lead to inadvertent noncompliance.
- The definition of certain terms under **Section 3 – Definitions, of the Purchasing Policy**, is not used consistently throughout the policy causing confusion in its interpretation.
- The intent and purpose of the P-Card Policy are not clearly defined when comparing it to the Purchasing Policy. For instance, procurement of tangible property requires P.O. under the Purchasing Policy. However, it is not clearly defined whether these purchases cannot be processed via P-Cards.
- The P-Card Policy was last updated in 2013. This policy is due a revision for better alignment with the Purchasing Policy.

Fixed Assets Purchases. – IA selected 38 items purchased between October 2021 and June 2022 from a list of 379 fixed assets purchased during this period. Through data analytics, IA noted two items purchased with a P-Card and not with P.O. as required by the Purchasing Policy:

- One printer with a cost of \$1,145
- One TV for the Human Resource Department with a cost of \$1,999

The Property Control Specialist is aware of these purchases.

P-Card Purchases. – Through data analytics, IA selected 10 P-Card transactions for each of the two warehouse cardholders and identified five transactions over the \$5,000 single purchase limit. Management informed IA that these exceptions, and a temporary credit limit increase were needed due to staffing levels. Management provided evidence the single purchase and credit limit increases were performed by authorized personnel, but there was no documentation of the requests and corresponding approvals.

Vendor Master File (VMF). – IA applied data analytics to the VMF list which contained 10,073 vendors and identified instances of potential duplicates. This information was shared with management, but due to unexpected turnover, their review and confirmation will not be available in the near future. IA will follow up with management on the following:

- instances (628) of duplicate vendor names with different addresses
- instances (782) of duplicate addresses with different vendor names
- instances (32) of duplicate vendor names with the same address
- instances (104) of very similar vendor names
- instances (7) of vendors with no activity after 2016

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Access Controls. – IA requested user access reports associated with pertinent database tables. The access to these tables was reviewed with corresponding staff. Management concurred with IA’s explanations and determined:

- Only 3 of the 21 original users with access to modify the VMF need access to this table. *Consequently, access was deactivated from 18 users.*
- Only 3 employees need full access to the Direct Deposit Recipient table. *Read-only access was granted to 9 employees and 49 accounts were deactivated.*
- The Pay Rate table included 21 user accounts. *Management concurred and deactivated 10 accounts, leaving access to 10 users and read-only access to 1 user.*

Banner Access Roles. – IA reviewed the access role of 12 Purchasing employees to three system classes to evaluate potential segregation of duties issues. This review was shared with management to determine:

- *Removal of 2 employees from access to create and modify Purchase Orders.* This access was left to four employees with P.O. responsibilities.
- *Deactivation of 6 users from access to modify warehouse inventory in the system.* Full access was left to 4 employees whose managerial roles require it.
- *Removal of access to lock down the inventory warehouse from 7 employees.* This attribute was left to the Purchasing Director and the Property Control Specialist, as they need it when performing physical inventory counts.

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OBSERVATION 1 – Revision of Procurement Policies

Risk Score: Medium

Issue:

The Purchasing Policy contains terms used inconsistently which may result in its misinterpretation. Purchasing thresholds include overlapping financial limits that may lead to unintentional noncompliance. Additionally, the use of Purchasing Cards may inadvertently not align with specific guidance provided in the Purchasing Policy.

Condition:

We reviewed and compared procurement policies and noted the following:

The Purchasing Policy:

- Does not clearly define whether Purchasing Quotes require written support as it also mentions the use of oral quotes.
- Includes \$1,000 as the financial limit for both Small Purchases and Field Quote purchases of Tangible Property even though documentary requirements differ under each category
- Includes \$2,500 as the financial limit for both Small Purchases and Field Quote purchases of Consumables even though documentary requirements are different for each category
- Does not clearly define whether the use of quotes is required for warehouse purchases
- Utilizes the terms “commodities” and “goods and services” interchangeably, clouding the definition of “tangibles”

Purchasing Card (P-Card) Policy:

- May need a revision as it was last updated in 2013
- Does not clearly define the purpose and use of P-Cards to properly align this program with the Purchasing Policy
- Includes inconsistent language to define “goods and services”
- It is not conclusive in determining its use with respect to purchases of tangible property

Criteria:

According to the National Institute of Governmental Purchasing (NIGP), procurement organizations should develop a comprehensive policy manual that clearly defines authority, responsibility, and establishes guidelines for the organization and the procurement professional to follow when carrying out their responsibilities.

Additionally, the NIGP Best Practice states a procurement policy manual should:

- Enable uniform procurement policies throughout the organization
- Include a definition section that clearly defines the use of the terms as they are used in the policy

Cause:

The P-Card Policy has not been reviewed since 2013 while the Purchasing Policy was last updated in 2021. The disparity in the revision of these policies might have caused the unintended dealignment between them.

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Effect:

- The Purchasing Policy contains statements that appear inconsistent and unclear.
- When comparing the Purchasing Policy to the P-Card Policy, it is not clearly understood the full intent of P-Cards in the procurement process.
- Tangible property purchased with P-Cards during emergencies justify the deviation from the intent of the Purchasing Policy. However, this is not clearly stated in the procurement policies.

Recommendations:

To optimize the design and operating effectiveness of existing procurement policies, Management should:

- Perform a thorough review of the Purchasing and P-Card Policies and update terms, and conditions of use accordingly to ensure alignment with the County's mission.
- Utilize IA's provided spreadsheet detailing areas of opportunity for improvement as part of the policy review process.

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OBSERVATION 2 – P-Card Purchases and Credit Limit Increases

Risk Score: Medium

Issue:

There is an absence of documentary evidence to validate that increases to P-Card single purchase limits and monthly credit limits are properly authorized.

Condition:

We noted five purchases with total amounts over the cardholder's \$5,000 single purchase limit:

- A Galvanized Post Tapered Rod for \$9,565.18
- An erosion Control Spring Seed Mix for \$5,119.60
- Rock purchased for \$10,774.66
- ElectroCut Overlay Sheeting for \$5,336.36; and
- A purchase of Chalk and Paint for \$5,636.83

We also noted a cardholder's February credit limit increase from \$35,000 to \$50,000. However, there was no underlying documentation to support the request and corresponding approval of these increases.

Criteria:

Section II – Card Controls, A, (1)(b), of the P-Card Policy states “Requests for new card holders or for changes to a current card holder's profile shall be made by submitting a Purchasing Card Request/Change Form to the Purchasing Division.”

Cause:

- Lack of documentary evidence to support extraordinary P-Card activity.
- Lack of documentation to evidence authorization of P-Card credit limit increases.

Effect:

- Five unsupported over-the-single limit purchases were identified.
- A temporary unsupported credit limit increase was identified

Recommendations:

To ensure P-Card purchases remain compliant, Management should:

- Monitor P-Card exceptions. Exceptions and credit limit increases should be authorized and properly documented.
- Require written documentation of increases, including temporary increases, in P-Card spending limits and update the Purchasing Card Policy to include this requirement.
- Obtain required written documentation before processing any limit changes.

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APPENDIX A – Management Response – BoCC



Leon County Government

INTEROFFICE MEMO

DATE: October 18, 2022

TO: Luis Camejo, Internal Audit Manager, Clerk of Courts and Comptroller

FROM: Scott Ross, Director, Office of Financial Stewardship
Melanie Hooley, Director, Purchasing Division

SUBJECT: Audit No. 22A-04
Purchasing Process Review - Board

The Leon County Government Purchasing Division reviewed the above referenced internal audit report and provide the following responses regarding the two observations.

Observation 1 – Revision of Procurement Policies

We concur with your findings and will have the Purchasing and P-Card policies revised in Fiscal Year 2023 with an anticipated completion date of March 31, 2023. The policies will be clarified to eliminate any inconsistencies or definitions of terms that may conflict between the two policies.

Observation 2 – P-Card Purchases and Credit Limit Increases

We concur with your findings regarding providing written documentation regarding the increase in P-Card transaction limits. While the P-Card policy is silent to this requirement, Purchasing will now require written documentation regarding requests for increases to P-Card limits. The policy will also be updated accordingly. The increased approvals identified during the review were done verbally.

With regards to the two tangible personal property items purchased on P-Cards, Leon County will address this type of purchase during the updating of the policies.

Other items

In the background section, the report indicates that the Leon County Government provides procurement services for the Constitutional Officers, specifically, the Sheriff, Court Administration, and the Supervisor of Elections. These offices operate under their own authority and procure goods and services through their own internal processes. In limited circumstances, these offices may request the assistance of Leon County Purchasing in developing a solicitation or if the County will own the purchased asset.

cc: Alan Rosenzweig, Deputy County Administrator

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APPENDIX B – Management Response – Clerk of Court and Comptroller - Finance

RE: Purchasing Process



Edward E. Burke

To ● Luis Camejo

Cc ● Natalie D. Hill; ● Travis Stephens; ● Timothy A. Shopmyer

Good Morning Luis,

Management within Clerk Finance agrees with the findings from your engagement.

We will continue to perform annual maintenance of the Vendor Master File within our accounting system.

The maintenance exercise will identify & terminate vendors with duplicate names, addresses, FIENS, & activity within the last 5 years.

We anticipate completing the current review exercise by November 30, 2022.



Edward Burke

Finance Director

Leon County Clerk of Court and Comptroller

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DISTRIBUTION

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Scott Ross, Director of Financial Stewardship
Melanie Hooley, Director of Purchasing
Rodger Kirkland, Purchasing Agent/Property Control Specialist

Clerk's Office:

Gwen Marshall, Leon County Clerk of the Circuit Court, and Comptroller
Kenneth Kent, COO and Chief Deputy
Edward Burke, Finance Director
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Natalie Hill, Internal Auditor

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Nancy Shepherd, CPA, CIA

External Auditor

Taylor Harmon, CPA – Thomas Howell Ferguson, PA

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PROJECT TEAM

Engagement was conducted by:
Natalie Hill, Auditor

Under the supervision of:
Luis Camejo, CIA, CFE, Internal Audit Manager

STATEMENT OF ACCORDANCE

The Clerk and Comptroller's mission is to inspire public trust and bring credit and esteem to the organization through integrity, excellence in customer service, financial oversight, and the utilization of technology to ensure accessibility to justice.

The Division's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight to the Clerk and Comptroller and the Board of County Commissioners.

This review was performed in accordance with the International Standards for the Professional Practices of Internal Auditing (Standards).

Please address inquiries regarding this report to the Division of Internal Auditing at (850) 606-4019.