



Compliance Review

Greater Fort Lauderdale Convention and Visitors Bureau Delegated Purchases

November 7, 2007

Report No. 08-03



Office of the County Auditor
Evan A. Lukic, CPA
County Auditor

Table of Contents

Topic	Page
Executive Summary.....	3
Purpose and Scope	3
Methodology.....	3
Background.....	4
Findings and Recommendations.....	8

Executive Summary

This report presents the results of our review of delegated purchasing practices of the Greater Fort Lauderdale Convention and Visitors Bureau (CVB). Our objective was to assess compliance with applicable County delegated purchasing policies and procedures.

We concluded CVB was generally compliant with Purchasing Card policies and procedures except for instances involving procurement of goods or services using travel cards which is in violation of County policy. We also concluded that CVB was not compliant with the documentation requirements of the County's Delegated Purchasing Program for delegated purchase orders.

We recommend the Board of County Commissioners direct the County Administrator to:

- evaluate the need for three separate purchasing card types (travel only, purchasing only, and travel and purchasing combination)
- take steps to ensure CVB's compliance with Delegated Purchasing policies and procedures to include remedial training and periodic monitoring of delegated purchasing transactions.

Purpose and Scope

The purpose of this review was to assess compliance with applicable County delegated purchasing policies and procedures. The review covered purchases from January 1, 2007 through March 31, 2007.

Methodology

To accomplish our objectives, we:

- Reviewed Chapters 10 and 16 of the Purchasing Division's Internal Control Handbook (ICH), Chapter 21 of the Administrative Code and Section 125.0104 of the Florida Statutes;
- Reviewed all delegated purchase orders in excess of \$1,000 during the review period;
- Reviewed purchasing and travel card transactions for a random sample of 10 of 18 cardholders; and
- Interviewed Purchasing, Accounting and CVB employees.

Background

County Delegated Purchasing

The County's Delegated Purchasing has two principal components; delegated purchase orders (PDs) and purchasing and travel cards (p-cards). On January 12, 1988, the Board of County Commissioners established the County Delegated Purchasing Program by granting authority to the Purchasing Director to delegate the purchase of small dollar items to CABs in their respective agencies.

Since inception of the Delegated Purchasing Program, the transaction dollar limit approved for PDs has increased and is currently \$3,500. As a further expansion of Delegated Purchasing, the County implemented a pilot purchasing card program involving a few divisions in May 1999 and expanded the program in January 2000 to include all agencies. Table 1 below shows the number and dollar value of delegated purchasing transactions from fiscal year 2004 – 2006.

**Table 1
Countywide Delegated Purchasing Transactions**

Description	FY 2004	FY 2005	FY 2006
Delegated Purchase Orders			
Number of Delegated Purchase Orders	14,945	7,983*	7,198
\$ Value of Purchase Orders	\$21,077,453	\$8,522,302*	\$8,453,812
Purchasing and Travel Cards			
Number of Purchasing and Travel Cards	628	803	1,051
Number of Transactions	31,714	41,749	45,512
\$ Value of Transactions	\$6,008,431	\$8,897,494	\$10,778,101

Source – Purchasing and Accounting Divisions

* In 2005, purchases using master agreements and purchasing cards increased significantly which contributed to reduction in the number and amount of delegated purchase orders processed.

Due to the high volume of transactions for small dollar purchases, there are a number of benefits associated with the Delegated Purchasing Program. These include:

- delegated purchase orders and p-cards reduce the number of small dollar transactions processed by Purchasing Division which allows Purchasing Division staff to concentrate on high dollar, more complex transactions.
- p-cards reduce the number of vouchers processed by Accounts Payables, (e.g., one wire transfer is processed monthly to the purchasing card issuer in lieu of thousands of checks to individual vendors).
- p-cards and delegated purchase orders reduce processing time to purchase small dollar items.
- p-card use results in more timely payments to the vendors.

In addition to operational benefits, the County’s purchasing card issuer currently rebates 1%¹ of purchases to the County. Rebates for calendar years 2004 through 2006 totaled \$108,169.

Chapter 21.15 of the Broward County Administrative Code establishes the Delegated Purchasing policy. The procedures for Delegated Purchasing are delineated in Chapters 10 and 16 of the Purchasing Division Internal Control Handbook (ICH). In addition Section 125.0104 of Florida Statutes governs the type of expenditures CVB can incur to promote tourism and provides guidelines for documentation requirements for entertainment expenditures.

Chapter 10 – Delegation of Purchasing Authority

Chapter 10 of the ICH delegates procurement authority to all Broward County agencies to purchase goods and services for \$3,500 or less. The Purchasing Division provides training and certification to employees selected to provide the Certified Agency Buyers (CAB) function. CABs are assigned security access rights in the County’s financial system (Advantage) to generate purchase orders.

In April 2004, the Board of County Commissioners enacted the Broward County Business Opportunity Act of 2004 which mandated that all projects under \$250,000 be reserved for Small Business Enterprises (SBE)², under the sheltered market program. The act provides SBE’s an opportunity to bid on projects amongst themselves, with no competition from larger vendors. The program consists of four components shown in Table 2 below:

**Table 2
Sheltered Market Purchasing**

Amount of Purchase	Limitations/Restrictions
1. \$1,000 or Less	Typically completed with p-cards
2. From \$1,000 - \$3,500	Limited to firms solicited by CABs through the delegated purchasing process
3. From \$3,500 - \$30,000	Restricted by Purchasing to all certified “small” vendors in the Purchasing Advantage system
4. From \$30,000 - \$250,000	Handled by Purchasing through the formal solicitation process with a statement noting the reserve for small businesses and indicating that no award will be made to a vendor that is not SBE certified

Source: SBDD Business Opportunity Act Annual Performance Report

¹ The County received .4% and .5% rebates in calendar years 2004 and 2005, respectively. In 2006, the County received rebates of .4% from January through September and 1% from October through December.

² Certified business that has an occupational license and is located or doing business in Broward County. Business must be independently owned and operated and employ 25 or fewer permanent full-time employees. Business must be established for a period of one year before application and average sales in the past 3 years shall not exceed \$3 million for construction firms, \$1 million for contractual services and commodities firms and \$500,000 for professional consultant firms.

Chapter 10 of the Purchasing Division Internal Control Handbook (ICH) was revised on June 20, 2006 to include provisions from The Business Opportunity Act of 2004.

Chapter 16 – Purchasing Card Procedure

Chapter 16 of the ICH established procedures for purchasing and travel card transactions. The Purchasing and Accounting Divisions administer the P-card Program and have developed a User Manual which details the program’s objectives, cardholder and agency responsibilities and County policies and procedures. All prospective cardholders attend mandatory training provided by the Accounting and Purchasing Divisions before the cards are issued. Table 3 below highlights the three types of purchasing cards:

**Table 3
Types of Purchasing Cards**

Card Type	Purpose	Transaction Limit¹
Purchasing	goods and services	\$1,000
Travel	travel related expenses such as lodging, rental car, airplane tickets, etc.	\$2,000
Purchasing/Travel	goods and services and travel expenses	\$1,000 for purchasing transactions and \$2,000 for travel expenses

Source: Chapter 16, Section B.1.b.(3), Purchasing Division Internal Control Handbook

1. The Purchasing Director may authorize additional spending limits to individual employees to meet specific circumstances or emergencies as may become necessary.

The County electronically restricts the use of individual cards by blocking certain merchant codes and restricts purchasing cardholders from travel-related purchases.

Table 4 shows delegated purchasing activity for CVB during the review period.

**Table 4
CVB Delegated Purchasing Transactions**

January through March 2007	
Description	CVB
Delegated Purchase Orders	
Number of CABs ¹	6
Number of Purchase Orders (PDs) ²	34
\$ Value of Purchase Orders ²	\$24,680
Purchasing and Travel Cards	
Number of Purchasing and Travel Cards ³	18
Number of Transactions ⁴	721
\$ Value of Transactions ⁴	\$183,030

1. Source – CVB
2. Source – Purchasing Division. Our review was limited to PDs between \$1,000 and \$3,500
3. Source – Accounting Division – Accounts Payable Credit Card Section
4. Source – Bank of America EAGLES System

CVB Delegated Purchasing Process

Procuring Goods and Services

CVB has six Certified Agency Buyers (CABs) who procure goods and services under the Delegated Purchasing Program. CABs solicit three verbal or written quotes from certified Small Business Enterprise (SBE) vendors and complete a purchase requisition form. The CAB is required to document the vendor names, dates, quotes received, and person providing quote on the requisition form. The CAB or the individual requesting quotes determines whether there is an SBE vendor that can provide the service or commodity needed by referring to the Small Business Development Division (SBDD) website or the Advantage system.

The CAB selects the lowest bid among the three quotes and forwards the completed requisition to their supervisor for approval. Once the supervisor approves the requisition, it is returned to the CAB to enter in Advantage. The CAB enters the requisition into Advantage, applies the first level of approval, and forwards to the supervisor to apply second level of approval in Advantage. The delegated purchase order (PD) is sent via email to the CAB for printing, signing and mailing (or faxing) to the vendor. A signed copy of the PD is attached to the original requisition and maintained by the CAB.

Receiving and Payment of Goods and Services

When merchandise or services are received, the Receiving Clerk verifies items received against the packing slip and obtains confirmation from the CAB that items received match items ordered. Once the Receiving Clerk has confirmed the items ordered were received, he/she prepares and signs an Internal Receiver

Form and enters receiving information into Advantage. The electronic receiver document generated from Advantage and the packing slip are forwarded to the CAB.

The CAB verifies the quantity invoiced or included on the packing slip, purchase order and receiver report for accuracy. The entire package is forwarded to an Administrative Assistant for a second review before submitting to the Vice President of Finance to review, sign and approve. The original signed receiver, invoice and/or packing slip are forwarded to Accounting for payment.

CVB Purchasing Card Process

CVB has 18 purchasing and/or travel cards issued to individuals that incurred transactions during the review period, January through March 2007. Each week the P-Card Coordinator (Coordinator) receives purchasing/travel card transactions from the Accounting Division which is then provided to the cardholder for review. A comprehensive monthly p-card transaction summary is also provided by Accounting to distribute to p-cardholders for review and compilation of receipts. CVB p-card holders then prepare a transmittal memo and attach credit card receipts for submission to the Coordinator for review and approval.

The Coordinator reviews transmittal forms for authorized signatures, receipts and split transactions³. The transmittal packet is provided to the Vice President of Finance and Operations (VP) to review for accuracy and appropriateness of expenditures. Once approved by the VP, the transmittal forms and receipts are sent to the Accounting Division for payment and copies are kept by each cardholder at CVB.

Findings and Recommendations

Finding 1

We noted two instances where CVB staff used their travel cards to procure goods and services in violation of County procedures.

We reviewed all 487 transactions totaling \$135,483 processed by ten selected cardholders.

Our review disclosed two of the ten cardholders used their travel cards on nine separate occasions to purchase goods or services (totaling \$1,571) in violation of the Purchasing Division Internal Control Handbook (ICH), Chapter 16, Section B.1.b.(3) which stipulates cardholders cannot use travel cards to purchase goods and services.

³ Transactions that are intentionally divided to avoid purchasing card limits.

Recommendation

1. We recommend the Board of County Commissioners direct the County Administrator to evaluate the need for three separate purchasing card types (travel only, purchasing only, and travel and purchasing combination)

Finding 2

Each of the eight delegated purchases reviewed contained at least one documentation deficiency.

Chapter 10 of the Purchasing Division's Internal Control Handbook (ICH) requires Certified Agency Buyers (CABs) to:

- Begin the purchasing process with an approved purchase requisition signed by the Department or Division Director or someone delegated by the Director, in writing.
- Sign the purchase order to make the procurement valid.
- Document why other sources cannot be obtained or considered for sole source items. The documentation to support sole source procurement must be part of the permanent file maintained by the CAB.
- Purchase from certified small business enterprises (SBE) unless it is documented that SBE firms cannot provide the desired commodity. If non-SBE vendor receives award, the back of the purchase requisition should indicate why SBE was not awarded the procurement.
- Obtain three verbal or written quotations for purchases over \$1,000 to \$3,500, however only one quotation is necessary when the CAB performs a price analysis.
- Avoid splitting⁴ delegated purchases. Purchases totaling more than \$3,500 may not be split into two different transactions in order to avoid Delegated Purchasing limits.
- Document the name of the company submitting the quote, price, terms, delivery information, vendor agent providing quote and the reason for the award.

⁴ Transactions that are intentionally divided to avoid delegated purchasing limits.

CABs failure to comply with the County's Delegated Purchasing policies could result in unauthorized purchases, precludes determination of whether certified SBEs could have provided the service or commodities, and could also result in County staff making non-competitive procurements.

We reviewed all eight delegated purchases in excess of \$1,000 issued during the three month period from January 1, through March 31, 2007 and identified the following instances of non-compliance with the requirements of Purchasing's ICH:

- CVB did not provide written documentation authorizing the Vice President of Finance and Administration to sign purchase requisitions.
- Two purchase orders were not signed by the CAB.
- One purchase order was awarded to the vendor when only one quote was received and a price analysis was not performed or sole source documentation provided.
- One delegated purchase was awarded to a non SBE certified vendor without an explanation.
- Four delegated purchases did not properly document one or more items required in the quotation information such as:
 - Signature of person receiving quote (2)
 - Name, address & phone number of company supplying quote (1)
 - Name of individual providing quote (3)
 - Quotation date (1)
 - Price, terms, delivery information (1)
 - Reason for award (2).

Recommendation

2. We recommend the Board of County Commissioners direct the County Administrator to take steps to ensure CVB's compliance with Delegated Purchasing policies and procedures to include remedial training and periodic monitoring of delegated purchasing transactions.