



Compliance Review

Delegated Purchases - Highway and Bridge Maintenance Division

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EXECUTIVE SUMMARY

This report presents the results of our review of the Highway and Bridge Maintenance Division's (Division) delegated purchasing practices. Our objective is to assess compliance with applicable County delegated purchasing policies. To achieve this objective, we reviewed a sample of 195 (20.6%) of 947 transactions totaling \$67,592 for the period of October 1, 2005 through September 30, 2006.

We concluded that the Division:

- did not consistently document compliance with the County's delegated purchasing policies; and
- purchased gift cards for employee recognition in violation of the policy.

To address these deficiencies we recommend the Board of County Commissioners direct the County Administrator to:

1. provide retraining to the two Certified Agency Buyers (CABs) in Highway and Bridge Maintenance Division.
2. require the Division director to perform periodic monitoring of delegated purchasing activities within the Division.

PURPOSE AND SCOPE

The purpose of this review is to assess compliance with applicable County delegated purchasing policies, which authorize Certified Agency Buyers (CABs) to purchase goods and services for \$3,500 or less and procurement card holders to purchase items using the card. The review covered purchases from October 1, 2005 through September 30, 2006.

METHODOLOGY

To achieve our objectives, we:

- Reviewed applicable County procurement policy, Administrative Code and Broward County Code of Ordinance;
- Reviewed *The Broward County Business Opportunity Act of 2004*, Small Business Development Program, County Administrator memorandum dated October 13, 2004 to implement the Act;
- Selected and reviewed a random sample of 30 delegated purchase orders;
- Selected and reviewed a judgmental sample of 165 procurement, and travel card transactions;
- Reviewed the Accounting Division's monthly review of selected procurement and travel card transactions to detect errors and compliance with County policy; and

- Interviewed employees in Purchasing, Accounting, and Highway and Bridge Maintenance Divisions.

BACKGROUND

The County established specific delegated purchasing policies allowing CABs to purchase goods and services up to \$3,500 using purchase orders and allowing procurement and travel card (Card) cardholders to purchase items using the card. Specific delegated purchasing policies include:

- *The Broward County 2004 Business Opportunity Act (Act)* which changed the procurement policy as it relates to small business enterprises. To assist County staff with implementation, the County Administrator issued memorandum dated October 13, 2004 establishing procedures and guidelines requiring:
 - CABs to solicit quotations from only Broward County certified small businesses (SBE) and may purchase from non-certified firms only after they have determined that no certified (SBE) can provide the commodity.
- Chapter 21.15 of the Broward County Administrative Code establishes delegated purchasing policy which is further delineated in Chapters 10 and 16 of the Purchasing Division Internal Control Handbook (ICH).
 - Chapter 10 provides procedures for delegated purchase transactions up to \$3,500.
 - Chapter 16 provides procedures for procurement and travel card transactions. The policy establishes procurement card transaction limits of \$1,000 per transaction, \$3,000 daily, and \$10,000 monthly and travel card limits of \$2,000 per transaction, \$6,000 daily, and \$10,000 monthly.

The Highway and Bridge Maintenance Division (Division) employs 180 employees, has a fiscal year 2007 budget of \$13.1 million and is responsible for maintaining the County's roads, the unincorporated street system, and the mosquito abatement program.

Table I below shows the Division’s delegated purchasing transaction volume for the period October 1, 2005 through September 30, 2006

TABLE I

Highway and Bridge Maintenance Division 2006 Transactions		
Description	Number of Transactions	Total Amount
Procurement Cards ¹	657	\$134,082
Delegated Purchase Orders ²	290	285,415
Totals	947	\$419,497

Findings and Recommendations

Finding 1

The Division did not consistently document compliance with County delegated purchasing policies.

The County’s delegated purchasing policies require Certified Agency Buyers (CABs) to:

- Purchase from certified small business enterprises (SBE) unless it is documented that SBE firms cannot provide the desired commodity;
- Obtain three verbal or written quotations for purchases totaling \$1,000 to \$3,500, however only one quotation is necessary when the CAB performs a price analysis;
- Document the name of the company submitting the quote, price, terms, delivery information, vendor agent providing quote and the reason for the award; and
- 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.

We reviewed 30 (10.3%) of 290 delegated purchase orders and identified nine purchase orders with thirteen instances of noncompliance with the County’s delegated purchasing policies. Specifically, Division CABs could not provide us with required documentation including:

¹ Source – Bank America EAGLS System

² Source – Advantage Financial System

- Eight purchases were made from non-SBEs vendors and the purchasing file did not document whether a certified SBE could have provided the commodity;
- Two purchase orders were awarded to a vendor when only one quote was received and a price analysis was not performed;
- Two purchase requisitions did not document the total amount quoted, quantity, delivery date, vendor agent that provided the quote, and the reason for the award; and
- One purchase requisition did not contain documentation to support sole source procurement.

CABs failure to document compliance with the County's policies precludes determination of whether certified SBEs could have provided the commodities and could also result in County staff making non-competitive procurements thus paying more than necessary for items purchased.

Finding 2

The Highway and Bridge Maintenance Division purchased gift cards for employee recognition in violation of the Broward County Code of Ordinance

We reviewed a sample of **165** of 657 (25%) procurement and travel card transactions incurred by the Division and found one transaction to purchase two gift cards totaling **\$200** for employee recognition. The purchase of gift cards for employee recognition is inconsistent with Chapter 9 ½ - 4 (a) (3) of Broward County Code of Ordinance, which limits instruments of recognition to plaques, trophies, framed and unframed graphic forms of recognition, and other mementoes of nominal value. The cardholder stated he was unaware of the employee recognition policy. The Purchasing Division Internal Control Handbook³ (ICH) which established a representative list of items that cannot be purchased with the procurement card does not specifically prohibit the purchase of gift cards.

Recommendations

To ensure compliance with the County's delegated purchasing policies, the Board of County Commissioners should direct the County Administrator to:

- a. provide retraining to the two CABs in Highway and Bridge Maintenance Division.

³ Purchasing Division ICH, Chapter 16, B.1.b. (6)

- b. require the Division director to perform periodic monitoring of delegated purchasing activities within the Division to ensure compliance with County policies.