



Compliance Review

Parks and Recreation Division Delegated Purchases Review

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**Office of the County Auditor
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Executive Summary

In this report we assess Parks and Recreation Division's (Parks) compliance with applicable County Delegated Purchasing policies and procedures.

We conclude that Parks was not compliant with the documentation requirements of the County's Delegated Purchasing Program for delegated purchase orders issued by its Certified Agency Buyers (CABs) for the delegated purchase orders tested.

The number of exceptions to County policy identified in our review clearly indicates the need for immediate remedial actions. We recommend the Board of County Commissioners direct the County Administrator to:

- Provide immediate remedial training to all Parks CABs and CAB approvers on both the Delegated Purchasing Program policies and procedures and Small Business Development Division (SBDD) requirements,
- Implement periodic monitoring of Parks Delegated Purchasing transactions for compliance with policies and procedures,
- Hold CAB's and CAB approvers accountable for compliance with County policies and procedures, and
- Implement purchasing procedures to renew price agreements timely.

Our review also indicated that Parks was compliant with County policy and procedures for the Purchasing Card (P-Card) transactions tested.

Purpose and Scope

The purpose of this review is to assess compliance with applicable County Delegated Purchasing policies and procedures. The review covered delegated purchase transactions completed between October 1, 2006 and December 31, 2006.

Methodology

To achieve our objectives, we:

- Reviewed Chapters 10 and 16 of the Purchasing Division's Internal Control Handbook (ICH) and Chapter 21 of the Administrative Code;
- Selected and reviewed a random sample of delegated purchase orders;
- Selected and reviewed a random sample of purchasing and travel card transactions; and

- Interviewed employees in Purchasing, Accounting, and Parks and Recreation Divisions.

Background

County Delegated Purchasing Program

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. Delegated Purchasing decreased the number of small-dollar requisitions flowing through the Purchasing Division, enabling the Purchasing Division staff to concentrate on higher-dollar volume requisitions.

The County’s Delegated Purchasing Program has two principal components; delegated purchase orders (PDs) and purchasing and travel cards (p-cards). 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 purchasing card (P-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 through 2006.

**Table 1
Countywide Delegated Purchasing Transactions**

Description	FY 2004	FY 2005	FY 2006
Delegated Purchase Orders			
Number of 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).

Chapter 10 – Delegation of Purchasing Authority

Chapter 10 of the ICH delegates purchasing 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 Advantage to generate purchase orders.

In April 2004, the Board of County Commissioners enacted the Broward County Business Opportunity Act of 2004 (Act) 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 with no competition from larger vendors. The program consists of four components shown in Table 2 on the following page:

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 employs 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.

**Table 2
Sheltered Market Purchasing**

Amount of Purchase	Limitations/Restrictions
1. Less than \$1,000	Typically completed with purchasing 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

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 must attend mandatory training provided by Accounting and Purchasing Divisions before the cards will be issued. The Table below highlights the three different types of purchasing cards:

**Table 3
Types of Purchasing Cards**

Card Type	Purpose	Transaction Limit ^a
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

a. 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.

The Table below shows delegated purchasing activity for Parks during the review period:

**Table 4
Parks Delegated Purchasing Transactions**

October through December 2006	
Description	Parks
Delegated Purchase Orders	
Number of CABs ¹	17
Number of Purchase Orders (POs) ²	71
\$ Value of Purchase Orders ²	\$182,970
Purchasing and Travel Cards	
Number of Purchasing and Travel Cards ³	164
Number of Transactions ⁴	2,163
\$ Value of Transactions ⁴	\$374,481

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

Parks & Recreation Delegated Purchasing Process

Procuring Goods and Services

Parks has 17 Certified Agency Buyers (CABs) who procure goods and services for the four park districts³. CABs solicit three verbal or written quotes from certified Small Business Enterprises (SBE) vendors for purchases ranging from \$1,000 to \$3,500 and complete a purchase requisition form.

The CAB forwards the requisition form (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 Parks Administration to approve and apply second level of approval in Advantage. The purchase order (PO) is sent via email to the CAB for printing, signing and mailing (or faxing) to the vendor.

³ Parks and Recreation districts are classified as North, Central (Parks Administration), Southeast and Southwest.

A signed copy of the PO is attached to the original requisition and maintained in Parks Administration files. In addition, all requisitions are logged into a database maintained by Parks Administration for tracking purposes.

Receiving and Payment of Goods and Services

When merchandise or services are received, Parks staff prepares and signs a "Receiving Report" or "Green Receiver" (The green receiver is an internal receiving report). A copy of the PO and the packing slip are compared and used to fill out the top part of the Receiving Report. The completed and signed Receiving Report is forwarded to Parks Administration for further processing.

Parks Administration provides the Receiving Report to the Account Clerk Liaison who enters the information into Advantage, generates the electronic receiver and attaches the invoice (if received in Parks Administration) or packing slip. The original signed receiver, invoice and/or packing slip are forwarded to Accounts Payable. A copy of the package is maintained in Parks Administration.

Parks & Recreation Purchasing Card Process

Parks has 174 purchasing and/or travel cards of which 164 had transactions during our review period (October through December 2006). Each cardholder is furnished a copy of the Parks and Recreation Internal Control Purchasing Card User Manual that includes expanded guidelines on payment and invoicing procedures.

Each week cardholders compile purchasing/travel card receipts, complete and sign a transmittal form (transmittal). Cardholders submit the transmittal and receipts to their supervisor (at least one level higher than cardholder) for review and approval. The signed transmittal is forwarded to the P-Card Coordinator to review for authorized signatures, receipts and split transactions.⁴ Monthly, transmittal forms are forwarded to Accounting for payment.

⁴ Transactions that are divided to avoid procurement card limits.

Findings and Recommendations

Finding 1

Seventy percent of the delegated purchase order transactions reviewed were not compliant with the documentation requirements of the County's delegated purchasing policies and procedures.

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

- Avoid splitting⁵ delegated purchases. Purchasing totaling more than \$3,500 may not be split into two different transactions in order to avoid Delegated Purchasing limits.
- 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 an 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;
- Document the name of the company submitting the quote, price, terms, delivery information, vendor agent providing quote and the reason for the award;
- 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 **37 of 71 (52%)** delegated purchase orders (PDs) issued during the review period and identified **26 (70%)** PDs containing 36 instances of non-compliance with the County's delegated purchasing documentation and policy requirements. The following table summarizes the **36** instances of non-compliance:

⁵ Transactions that are intentionally divided to avoid delegated purchasing limits.

Table 5
Instances of Non-compliance with Delegated Purchasing Policy

Description of Non-compliance	No. of Instances
Split Purchasing Transactions	5
No documentation stating certified SBE was solicited	10
Expired price agreements were used	4
Sole source documentation was not adequate	1
Purchase requisition was missing required documentation	14
Vendor awarded procurement with no explanation for not obtaining three quotes	1
Purchasing documentation indicated award to SBE vendor, however SBDD verified vendor was not SBE certified	1
TOTAL	36

Source: Office of County Auditor analysis of Parks & Recreation delegated purchasing files.

The following describes the instances of non-compliance in greater detail:

- As noted above **five** split transactions totaling **\$9,554** were processed by Parks staff. Also, during the review period (October through December 2006) staff processed an additional six split purchases totaling **\$15,352**. These split transactions were for security provided by Pembroke Pines Police at C.B. Smith Park for displaced residents after Hurricane Wilma. Parks staff cited a memo dated February 27, 2006 from the Purchasing Division that stated goods and services provided by governmental entities can be excluded from the normal purchasing process as the reason why they did not follow normal purchasing procedures. Chapter 21, Section 21.18 of the Administrative Code (Code) does allow certain exemptions to the Procurement Code, the Code requires these exemptions to be authorized by the Board of County Commissioners or individuals specifically authorized by the Board. Board authorization was not sought for the aforementioned transactions.
- **Ten** purchases were made from non-SBE vendors and the purchasing file did not document whether a certified SBE could have provided the commodity.
- **Four** delegated purchases totaling **\$9,290** were made using pricing from two expired price agreements. The use of an expired price agreement is not appropriate and established policies and procedures should have been followed (e.g. obtaining three quotes). Parks stated that staff was instructed by Purchasing to continue using the vendor

with the expired price agreement pending placement of a new price agreement.

- **One** purchase requisition did not contain adequate documentation to support sole source procurement.
- **Fourteen** delegated purchases did not include one or more of the required quotation documentation (number of instances in parenthesis) such as:
 - Signature of person receiving quote (11)
 - Name, address & phone number of company providing quote (2)
 - Name of individual providing quote (5)
 - Quotation date (2)
 - Price, terms, delivery information (2)
 - Reason for award (2)
 - Purpose of procurement (2)
- **One** purchase requisition was awarded to vendor without documentation of quotes or explanation for not receiving three quotes.
- **One** delegated purchase documentation indicated award to a “SBE” vendor, however upon verification of SBE status by the County Auditor’s Office, we noted the vendor was not SBE certified.

CABs failure to document compliance with the County’s Delegated Purchasing policies precludes determination of whether certified SBEs could have provided the commodities and could also result in County staff making non-competitive procurements.

Recommendations

The extent of exceptions to County policy clearly indicates the need for immediate remedial actions. We recommend the Board of County Commissioners direct the County Administrator to:

1. Provide immediate remedial training to all Parks CABs and Approvers on both the delegated purchasing program policies and procedures and SBDD requirements,
2. Implement periodic monitoring of Parks Delegated Purchasing transactions for compliance with policies and procedures, and
3. Hold CABs and Approvers accountable for compliance with County policies and procedures.
4. Implement purchasing procedures to renew price agreements timely.

Finding 2

No instances of non compliance were identified in the sample of P-card transactions tested.

We randomly selected 15 cardholders and 65 transactions representing 9% of all cardholders and 3% of all p-card transactions respectively. . Our review revealed no instances of non-compliance with the County's purchasing card policies and procedures.

Recommendation

None