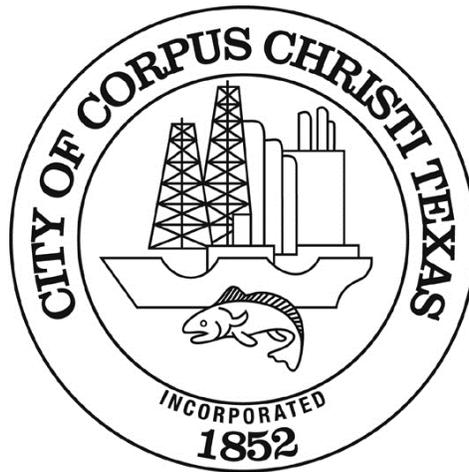

CITY OF CORPUS CHRISTI

CITY AUDITOR'S OFFICE



Audit of Purchasing Program

Project No. AU12-004

September 20, 2012

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Executive Summary

In accordance with the FY 2012 Annual Audit Plan, we conducted an audit of the purchasing and procurement process in the Financial Services Department of the City of Corpus Christi (City). The focus of this audit was to review the methods employed in the purchasing process and to evaluate internal controls to determine compliance with City policies and procedures. The scope period for this audit was for the twenty-one month period of August 1, 2010 to April 30, 2012.

Highlights of this report include the following:

- City purchasing policies and procedures are outdated, contain some inaccuracies, and are not promulgated to City employees involved in procurement activities.
- There is insufficient monitoring of departmental purchases to effectively detect and correct purchasing compliance issues.
- Departmental purchases made by procurement card are not always complying with City's procurement card and competitive bidding policies.
- The Program Administrator has incompatible duties that should be segregated.
- The Purchasing Division is not adequately maintaining files for procurement cardholders and is not consistently deactivating procurement cards for employees departing employment with the City.
- Purchase Order records maintained are not always complete and in compliance with the City's purchase order and competitive bidding City policies.
- Adequate system controls are not in place to ensure purchase orders are properly executed in the PeopleSoft financial system.

We recommend that City Management:

- Ensure that procurement policies and procedures are accurate, updated periodically, maintained in a centralized location, and made accessible to all city employees involved in procurement activities.
- Develop procedures for monitoring departmental purchases and ensure audits are effectively and consistently performed.
- Establish appropriate controls to ensure compliance with procurement card policies.
- Revise procurement card policy to address purchases that are currently not addressed such as gratuity tips and purchases of vehicle repairs or parts; purchase of technological items; and to define personal use and consumption items.
- Require mandatory training and annual refresher training to all city employees involved in the procurement card program.
- Establish controls to ensure compliance with competitive bidding policies and consider revising the City policy to require documentation of verbal bids.

- Assign the appropriate number of staff to the procurement card program to adequately segregate incompatible duties. If duties cannot be fully segregated due to staffing constraints, mitigating or compensating controls must be established.
- Develop written procedures for processing and maintaining files for procurement cardholders.
- Enforce compliance or revise the procurement policy restriction that allows only City employees be issued procurement cards.
- Require that Procurement Cardholder Policy Acknowledgement forms be updated periodically or whenever revisions to the procurement card policy occur.
- Ensure that Procurement Card Approvers, Coordinators, and Cardholders notify the Program Administrator when a cardholder departs from the City or transfers to another position within the City.
- Establish appropriate controls to ensure purchase order acquisitions comply with the City's purchase order and competitive bidding policies and procedures.
- Establish controls to ensure there is segregation of duties throughout the purchase order process and implement a division of roles and responsibilities that reduces the possibility for a single individual to compromise the process.
- Ensure purchase orders are properly approved by department head or designee.
- Establish procedures for granting access privileges to the PeopleSoft purchasing module to include oversight from data owner.

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Background

The Purchasing Division is within the Financial Services Department and is responsible for purchasing, storing, and distributing equipment, materials and supplies and to procure services needed by the various City departments. For fiscal year 2012, the Purchasing Division was staffed with 9 employees and had an estimated operating budget of \$666,121.

In 1993, the City began decentralizing its purchasing function to increase efficiencies by allowing departments to purchase goods or services (\$3,000 or less) by purchase order. When the City moved to automation in 1999, department staff was then able to create electronic purchase orders in the PeopleSoft financial system.

In 2003, the City established a Procurement Card Program to further increase efficiencies in obtaining low dollar goods and services. Since implementation of the program, Wells Fargo has been the City's procurement card provider. Although the program was designed as an alternative to the traditional purchasing by purchase order, all purchasing policies and procedures for the purchase order process still apply. Departments utilizing the procurement card are still required to adhere to the City's purchase authorization and competitive bidding requirements.

It is the policy of the City to use competitive principles in all purchases or contracts for supplies, materials, equipment, or services above \$1,000, unless exempt¹ by state law. City competition requirements are more stringent than state law, which requires competitive bidding for expenditures of more than \$50,000. The City's purchasing procedures are based on the dollar amount of the purchase and the nature of the procurement. See table below.

Purchase Amount	Delegated Authority	Required Support	Award Criteria
\$3,000 or less	City Department	Greater than \$1,000; less than or equal to \$2,000 → two verbal quotes Greater than \$2,000; less than or equal to \$3,000 → three written quotes	City department solely determines award.
Greater than \$3,000 less than or equal to \$50,000	City Department & Purchasing Division	3 written bids/quotes on vendor letterhead showing required information; and Documentation of notification to 2 Historically Underutilized Businesses	Purchasing and City department work together to solicit vendors and approve purchases.
Greater than \$50,000	Purchasing Division	Formal solicitation, advertisement, bid tabulation, and vendor selection.	Final selections approved by City Council.

Source: City Finance Policy No. F-4.1 Procurement Methods

¹ State law allows for some exemptions from competition requirements. The main exemptions include sole source purchases, emergency purchases, and procurement of professional services.

Statutory Authority and Municipal Guidelines

In conducting our audit, we relied on the following authoritative guidelines to serve as criteria for the audit:

- Local Government Code Chapter 252 Purchasing and Contracting Authority of Municipalities which provides guidance for competitive bidding requirements;
- City Policy F-4.1 Procurement Method which identifies the procurement methods used by the City to purchase goods and services;
- City Policy F-4.10 Departmental Purchase Orders which outlines procedures for City departments to use in processing purchase orders of materials and services;
- City Policy P-15.0 Procurement Card Program which establishes policy for use of City issued procurement cards and defines guidelines for administration of the procurement card program; and
- City Policy F-15.0 High Technology Procurement which establishes policy for procurement of technology items.

Audit Objectives

The overall objectives of our audit were to determine whether:

- The Purchasing Division is providing the proper administrative oversight of the decentralized purchasing process;
- City purchases are in compliance with competitive bidding requirements and conform with dollar thresholds established by City management;
- Purchase orders and procurement card purchases are properly approved and supported; and processed in accordance with City policies and relevant regulations.

Audit Scope and Methodology

Our audit scope consisted of 25,078 purchase orders totaling \$120,887,028 from August 2010 through April 2012 and 33,322 procurement card transactions totaling \$12,197,883 from June 2011 through April 2012. The audit focused on the City's purchasing and procurement process, associated purchase orders, and procurement card transactions.

The examination was designed to evaluate and test compliance with established policies and procedures and to test the internal control over tested areas and material. The scope of work did not include a review of bidding and selection procedures for the award of professional service contracts, construction, architectural and engineering services. Additionally, we did not evaluate internal controls over the electronic bid submission process.

The purpose of the audit report is to furnish management independent, objective analysis, recommendations, and information concerning the activities reviewed. The report is a tool to help management discern and implement specific improvements. The report is not an appraisal or rating of management.

City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial activity is accurately reported and reliable, and management and their employees are in compliance with laws, regulations, and agreements with other entities.

Our methodology consisted of reviewing State statutes and City policies and procedures associated with the purchasing and procurement process. We conducted interviews with appropriate management and employees, and performed test work regarding support documentation of procurement cardholder applications, account maintenance forms, procurement policy acknowledgement forms, cardholder agreements, receipts, and procurement card statements. We also reviewed bid documentation support, requisition forms, invoices, receiving documents, and purchase orders. Additionally, we performed a limited review of user access roles in the purchasing module of PeopleSoft financial system.

We relied on a computer-processed data file of purchase order transactions generated from the PeopleSoft financial system. We also relied on data file downloads from Wells Fargo of procurement card transactions and active procurement cardholders. We used judgmental sampling for testing to improve the overall efficiency of the audit.

We conducted this audit 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Purchasing Division Administration Responsibilities

A.1 Outdated and Inaccurate Procurement Policies and Procedures

City purchasing policies and procedures are outdated, contain some inaccuracies, and are not promulgated to city employees involved in procurement activities. In our review, we noted key purchasing policies not revised since 2008 and one since 1997. We noted a lack of cross-referencing among correlating City policies and some references made to policies that are obsolete or no longer in existence. We also noted conflicting dollar thresholds between key policies. Additionally, we experienced some hardship in retrieving all relevant purchasing and procurement policies since they were not easily accessible. Some were located online while others needed to be specifically requested from division management.

This condition exists because the city is not in the practice of periodically reviewing and revising all policies. Failure to maintain current and complete policies increases the risk that employees will not understand the proper procedures required to perform their assigned responsibilities.

Recommendation(s)

Management should ensure that procurement policies and procedures are accurate, updated periodically, maintained in a centralized location, and made accessible to all City employees involved in procurement activities.

Management's Corrective Action Plan with Completion Date:

All Purchasing Division Policies are currently being updated with a completion date of October 31, 2012. Policies will be scanned and made available on the Financial Services WebPage on that date.

A.2 Insufficient Monitoring of Departmental Purchases

There is insufficient monitoring of departmental purchases to effectively detect and correct purchasing compliance issues. Purchasing authority for transactions of \$3,000 or less is delegated to City departments. For these purchases, departments handle the purchasing entirely by soliciting bids and awarding the purchase. Although City policy requires audits be performed, the Purchasing Division does not routinely conduct reviews of these purchases. For the audit scope, we noted only three compliance reviews had been performed on purchases made by procurement card and none on purchases made by purchase orders.

According to the Committee of Sponsoring Organization of the Treadway Commission's Internal Control Framework², effective monitoring leads to the identification of corrections and control deficiencies before they materially affect the achievement of the organization's objective. This condition exists because there are no written procedures or guidelines for the performance of audits by the Purchasing Division. Continuous monitoring helps to ensure the quality of a program's performance and the reporting of errors or inappropriate actions to management. Without sufficient monitoring of departmental purchases, the Purchasing Division cannot provide assurance that purchases within the departmental dollar limit are conducted in accordance with City policies.

Recommendation(s)

Management should develop procedures for monitoring departmental purchases and ensure audits are effectively and consistently performed. Audit results should be reported to the Department Director and Purchasing Director. The City Manager and/or respective Assistant City Manager should be informed of recurring audit findings and violations of policy.

Management's Corrective Action Plan with Completion Date:

Procedures will be developed on auditing decentralized purchases that are less than or equal to the \$3,000 threshold. A vacant position in the Purchasing Division will be reclassified to perform auditing duties that will be responsible for monitoring departmental purchases. Completion of these procedures and initiation of audits will begin by February 25, 2013. Audit results will be reported to the department director, Assistant Director of Financial Services, Finance Director, Assistant City Manager of General Government and Operations Support and the Assistant City Manager over the respective department being audited.

B. Procurement Card Program

B.1 Non-compliance with Procurement Card Policy

Departmental purchases made by procurement card are not always complying with City policies. Of the 33,322 procurement card transactions, we judgmentally selected to review 51 transactions. For the sample tested, we noted card statement support missing appropriate approvals, authorization forms for food purchases, business expense information, and purchase receipts. We also noted purchases that included sales tax and some that appeared to have been split to circumvent the spending limits. Specifically, we noted the following:

- 29 were not properly approved by the Cardholder and/or Approving Official.
- Five included sales tax charges totaling \$424.
- Three transactions appeared to have been split to circumvent spending limits.

² The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control Framework provides guidance to executive management and governance entities on the establishment of more effective, efficient, and ethical business operations by providing guidance based on analysis and best practices in the areas of Internal Controls, Fraud, and Enterprise Risk Management.

- Two were for registration fees paid to PayPal. Although these transactions appeared to be for legitimate business use, current policy prohibits any payments to PayPal.
- Six did not have the required account maintenance form on file authorizing approval of food item purchases nor did they have a documented purpose to determine validity of business expense.
- Two were for backordered items. Goods must be shipped or received before the procurement card is charged.
- One had a signature on the receipt not belonging to credit card holder which indicated the cardholder lending out the procurement card.
- Five were for the purchase of iPads. Purchases of technological items are required to go through the Municipal Information System department for procurement of items.
- One transaction included items that could be used for personal use or consumption (i.e. coffee, paper towels, dust mop, Gatorade). Although the policy prohibits items used for personal use or consumption, it does not clearly define what constitutes non-business or personal use items.
- Two purchases could not be substantiated with receipts.

Additionally, we noted one charge to a restaurant that included a 16% gratuity tip and two charges for the purchase of vehicle parts. Although not explicitly prohibited by policy, these purchases may be considered questionable.

Not adhering to City policies increases the risk of improper procurement card usage, paying excessive prices, erroneous payments, or fraudulent purchases. Failure to comply with program guidelines will result in revocation of the use of the procurement card and/or disciplinary action up to and including termination.

Recommendation(s)

Management should:

- 1) Establish appropriate controls to ensure compliance with procurement card policies.
- 2) Revise procurement card policy to:
 - a. Address purchases that are currently not addressed such as gratuity tips and purchases of vehicle repairs or parts. Also, the purchase of technological items.
 - b. Define personal use and consumption items.
- 3) Require mandatory training and annual refresher training to all city employees involved in the procurement card program. Training should reiterate the policies and procedures governing the procurement card program. Periodic training is a control activity that provides a level of assurance that employees understand their responsibilities.

Management's Corrective Action Plan with Completion Date(s):

The Purchasing Division has increased the procurement card (p-card) compliance auditing function and has completed five audits since May 1, 2012. Additionally, the goal is to perform one audit per month over the current fiscal year. This higher level of auditing will provide appropriate controls to ensure compliance with procurement card

policies. Recurring policy infractions will result in de-activation of p-cards and reporting to the Assistant City Manager of the audited department. The procurement card policy is currently under review and will be updated with all other policies with a scheduled completion date of October 31, 2012. The above noted types of purchases will be addressed in the policy. The revised policy will require annual training and submission of an acknowledgement form.

B.2 Non-compliance with Competitive Bidding City Policies

Procurement Card purchases are not always in compliance with City procurement policies as it relates to competitive bidding. Of the fifty-one procurement card transactions selected for review, twenty-one required competitive bidding as required by the dollar thresholds established by City policy. In our review of the twenty-one transactions, we noted the following:

- Eleven procurement card purchases had no documentation to support that two verbal vendor quotes were obtained. Although City policy does not specifically require documentation of the verbal bids, it is encouraged to show competitive bidding was performed.
- Four procurement card purchases were not supported with three written quotes from vendors. For a written quote to be valid it should be dated, on vendor letterhead, addressed to the City, show lead times, shipping terms, description of product, prices, and be signed.
- Two did not have support of Historically Underutilized Business notifications.

Departments utilizing the procurement card are still required to adhere to the City's purchase authorization and competitive bidding requirements. This condition exists because there is a lack of oversight over procurement card purchases. Not adhering to competitive bidding requirement put the City at risk that it is not obtaining the most value for its money.

Recommendation(s)

Management should establish controls to ensure compliance with competitive bidding policies and consider revising the City policy to require documentation of verbal bids. Also, require mandatory training and annual refresher training to all employees involved in procurement activities.

Management's Corrective Action Plan with Completion Date(s):

Future procurement card audits will not only review for compliance with the procurement card policy, but also for compliance with general procurement policies of the City. All deficiencies will be noted and corrective actions will be implemented, including the de-activation of p-cards and reporting to the Assistant City Manager of the audited department. This new process will be in place by October 1, 2012. All Purchasing Division Policies are currently being updated with a completion date of October 31, 2012. Documentation of verbal bids will be addressed in the revised policy. The revised policy will require annual training and submission of an acknowledgement form.

B.3 Program Administrator Duties are Incompatible

The Program Administrator has incompatible duties that should be segregated. During our review, we noted that the Program Administrator has sole responsibility and authority to perform all aspects of the program. This includes processing applications, receiving and distributing procurement cards, creating new accounts, setting card transaction limits, reconciling monthly procurement card statements, and monitoring cardholder activity. In addition, the Administrator has complete access to the Wells Fargo system to independently approve departmental transactions and adjust department charge codes.

According to the Committee of Sponsoring Organization of the Treadway Commission's Internal Control Framework, key duties should be adequately divided, or segregated among different staff to reduce the risk of error or inappropriate actions. Key duties were not segregated because only one person was delegated those responsibilities. Assigning one individual full responsibility for all aspects of a program could result in errors, misappropriations, or irregularities being concealed and undetected.

Recommendation(s)

Management should assign the appropriate number of staff to the procurement card program to adequately segregate incompatible duties. If duties cannot be fully segregated due to staffing constraints, mitigating or compensating controls must be established.

Management's Corrective Action Plan with Completion Date:

The Purchasing Division has four Program Administrators assigned to the Procurement Card Program. The above functions and responsibilities will be reviewed and segregated to provide a higher level of control within the supervision of the program. The segregation of duties will be complete by October 1, 2012. Quarterly reports validating the number of cards issued to the application forms contained in cardholder files will be reviewed and approved by the Assistant Director of Financial Services or designee throughout the year.

B.4 Inadequate Maintenance of Procurement Cardholder Files

The Purchasing Division is not adequately maintaining files for procurement cardholders. Of the 282 active procurement cardholders, we judgmentally selected to review the files for 20 cardholders. In our review, we noted files did not contain procurement card applications, cardholder agreements, policy acknowledgment forms, and documentation to support spending limits. Specifically, we noted the following:

- Ten did not have documentation on file to support current procurement card spending limits.
- Two did not have a procurement card policy acknowledgment form on file. For those 18 that did have an acknowledgement form on file, most were dated prior to the February 2011 policy revision with some dated as far back as 2003.

- One did not have a procurement card application form on file. Also, we noted one procurement card application indicated that the cardholder was not a City employee but a County employee with the Health District.
- One did not have a cardholder agreement form.
- One file included a procurement card application pertaining to another employee.

Lack of documentation exists because there are no written procedures for processing and maintaining forms relevant to the procurement card program. Written procedures are an important management control that helps ensure processes are performed consistently and employees who perform them understand what is expected from them. Inadequate maintenance of cardholder files increases the risk that there is a lack of evidence to support employee is authorized to receive and use a procurement card, has agreed to the cardholder terms, has received procurement card training, and is aware of procurement card policies.

Recommendation(s)

Management should:

- 1) Develop written procedures for processing and maintaining files for procurement cardholders.
- 2) Enforce compliance or revise the procurement card policy restriction that allows only City employees to be issued procurement cards.
- 3) Require that procurement cardholder policy acknowledgement forms be updated periodically or whenever revisions to the procurement card policy occur.

Management's Corrective Action Plan with Completion Date(s):

Written procedures for processing and maintaining files for procurement cardholders will be developed and followed. These new procedures will be in place by November 1, 2012. All Purchasing Division Policies are currently being updated with a completion date of October 31, 2012. Exceptions to the p-card policy regarding issuance to non-City employees will be addressed. The revised policy will require annual training and submission of an acknowledgement form.

B.5 Procurement Cards Not De-activated for Inactive Employees

The Purchasing Division is not consistently deactivating procurement cards for employees departing employment with the City. Moreover, departments are not always submitting the documentation to request deactivation of the procurement card. In our review, we noted four former City employees whose cards are still active. One was for an employee that retired in November 2008. Of those four, two did not have a maintenance form on file requesting the account be cancelled by the respective department.

According to City policy, it is the responsibility of departmental Approving Officials to advise the Program Administrator of any cardholder changes in employment status and the responsibility of the Program Administrator to deactivate procurement cards. Although transactions did not occur on these cards during the audit period, untimely

cancellation increases the risk that former employees or others who may have access to the account number may make unauthorized purchases.

Recommendation(s)

Management should ensure that Procurement Card Approvers, Coordinators, and Cardholders notify the Program Administrator when a cardholder departs from the City or transfers to another position within the City. Management may also consider coordinating with Human Resources to periodically obtain a listing of recent City employee terminations and transfers to cross-check against active cardholders and approving officials.

Management's Corrective Action Plan with Completion Date(s):

The Purchasing Division will be notified weekly by e-mail by the Human Resources module of the ERP system when employees are terminated. This new process will be in place by October 1, 2012. Annual training of cardholders, approvers and coordinators will emphasize the requirement and responsibility of these individuals to notify the Purchasing Division of terminations and/or transfers. The annual training for this fiscal year will be completed by January 31, 2013. Ongoing annual training will be completed at the beginning of each fiscal year thereafter.

C. Non-Compliance with Purchase Order and Competitive Bidding City Policies

Purchase Order records maintained are not always complete and in compliance with the City's purchase order and procurement policies. Of the 25,078 purchase orders, we judgmentally selected a sample of 15 for testing. Our sample included purchase orders maintained by the Purchasing Division and by City departments; however most infractions identified pertained to departmental purchase orders. In our review, we noted purchase orders not supported with properly approved requisition forms or receipt of goods/services and lacking evidence to show solicitation and competitive bidding had been performed. We also noted purchase orders were not properly approved, dated after the invoice date, and showed amounts different than the requisition or invoice amount. Specifically, we noted the following:

- Five did not have written vendor quotes on file to support competitive bidding was performed.
- Three did not have evidence of a Historically Underutilized Business (HUB) notification.
- One did not contain evidence on file to show the department collaborated with the Purchasing Division prior to the contract being awarded.
- Nine were not properly approved.
- Eleven were not supported with a properly approved requisition form.
- Eight were not supported with evidence of a receipt of goods and/or services.
- Eight did not contain an approved invoice on file.
- Two were dated after the invoice date. When purchase orders are processed after the fact, the control process is circumvented.
- One purchase order amount did not agree with the requisition amount.

- Two purchase order amounts did not agree with the invoiced amount.

Non-compliance with competitive bidding policies and procedures may result in inappropriate transactions, misappropriation of assets and increased risks. Failure to comply with policies will result in revocation of purchasing privileges and/or disciplinary action as the circumstances may dictate.

Recommendation(s)

Management should establish appropriate controls to ensure purchase order acquisitions comply with the City's purchase order and competitive bidding policies and procedures. Expenditure controls can increase accountability and integrity of City purchases during times of challenging economic conditions and tight budget constraints.

Management's Corrective Action Plan with Completion Date:

The Purchasing Division has implemented a training program effective June 15, 2012 that requires all employees receiving access to the Purchasing Module to receive training on Purchasing Policies and given copies of the policies at that training.

Also, procedures will be developed on auditing decentralized purchases that are less than or equal to the \$3,000 threshold. A vacant position in the Division will be reclassified to perform auditing duties that will be responsible for monitoring departmental purchases. Completion of these procedures and initiation of audits will begin by February 25, 2013. Audit results will be reported to the department director, Assistant Director of Financial Services, Finance Director, Assistant City Manager of General Government and Operations Support and the Assistant City Manager over the respective department being audited.

D. PeopleSoft System Access

Adequate system controls are not in place to ensure purchase orders are properly executed in the PeopleSoft financial system. During our review, we noted a lack of segregation of duties for department buyers, automatic approval of purchase orders totaling \$3,000 or less, and documentation not maintained for system access requests to the purchasing module in PeopleSoft. Following are the deficiencies noted:

Segregation of duties – Employees designated as buyers for City departments are granted system access in PeopleSoft to create purchase orders, accept receipt of merchandise, and process invoices for payment without requiring additional approvals. There are approximately 118 active users with this access role. Of these 118 users, 9 are for non-City temporary employees and 4 are for former employees. Segregation of duties requires that no one person is capable of completing a full transaction from start to finish without some oversight. When one individual possesses the ability to perform the entire cycle of a transaction, errors or irregularities could occur and go undetected.

Automatic System approvals - Purchase orders totaling \$3,000 or less are automatically approved in the PeopleSoft financial system without department head approval or notification. For the audit period, there were 20,712 purchase orders totaling \$18,525,461 that were within this threshold. Although these purchases make up 15% of

total amount expended in purchase orders, they represent 83% of purchase order transactions. The absence of approvals at the Department level creates an unnecessary risk to the City and could result in errors, irregularities, or fraudulent activities going undetected.

System Access - System access to the PeopleSoft purchasing module is granted by requests submitted to the Municipal Information Systems Department. Requests are formally and informally made; however, documentation of such requests is not maintained nor do they require approval by the data owner (Purchasing Division). According to CobiT 4.1³, there should be an approval procedure outlining the data or system owner granting the access privileges. These procedures should apply to all users. Lack of oversight on access controls could result in employees given unauthorized access, which could go undetected.

Recommendation(s)

Management should:

- 1) Establish controls to ensure there is segregation of duties throughout the purchase order process and implement a division of roles and responsibilities that reduces the possibility for a single individual to compromise the process.
- 2) Ensure that purchase orders are properly approved by department head or designee.
- 3) Establish procedures for granting access privileges to the PeopleSoft purchasing module to include oversight from data owner.

Management's Corrective Action Plan with Completion Date(s):

A Purchasing Division workflow approval process is already in place for purchase orders between \$3000.01 and \$50,000 that requires the review and approval by the Purchasing Division buying staff. A departmental workflow approval process will be implemented which requires a department head or designee to approve all purchase orders that fall between \$1,000.01 and \$3,000. Pending the ability of the current Enterprise Resource Planning (ERP) system (PeopleSoft) to implement a departmental workflow process, the departmental workflow process will be targeted for roll out by December 1, 2012. Alternatively, the new ERP system that is scheduled to be in place by August 1, 2013, will have this functionality and be implemented at that time.

A new policy on obtaining access to the Purchasing Module in the City's new ERP system has been drafted and will be submitted for approval by the City Manager by October 31, 2012. The policy contains training requirements on purchasing policies and procedures, system access and an acknowledgement form. Once approved, the policy requires all that access the Purchasing Module of the Enterprise Resource Planning (ERP) system be approved by the Assistant Director of Financial Services or designee.

³ Control Objectives for Information and related Technology (CobiT) is a set of best practices for information technology management created by the Information Systems Audit and Control Association and the IT Governance Institute.