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*Excellence...Always*

*Paula S. O'Neil, Ph.D.*  
*Clerk & Comptroller*  
*Pasco County, Florida*

June 4, 2018

The Honorable Mike Wells, Chairman, and  
Members of the Board of County Commissioners  
Pasco County Board of County Commissioners  
8731 Citizens Drive  
New Port Richey, Florida 34654

Dear Chairman Wells and Members of the Board:

Enclosed is Audit Report No. 2017-02. The Department of Inspector General (IG) conducted an audit of purchases greater than \$50,000, and purchases processed with an Authority to Pay (ATP) form.

The objectives of the audit were to determine if purchases were solicited through a competitive solicitation process, were separated into smaller transactions to avoid competitive solicitation requirements, and determine the appropriateness of the ATP's issued during the audit period.

Based on the results of the completed audit, 16 audit comments were identified. All comments and recommendations were discussed with management, and their responses were included in this report.

The recommendations made in this report were provided to improve the control environment. During the course of this audit, management took corrective actions, and implemented some of the IG's recommendations.

The results of the audit were as follows:

**Compliance:**

1. The Purchasing Handbook had not been updated since 2005, and did not reflect all the current policies and procedures for procuring goods and services.
2. Purchase orders and contracts with change orders or amendments to the original amount approved by the BCC, totaling \$17,620,291.35, were not always approved in accordance with the Purchasing Ordinance requirements. Supporting documentation was not provided for some of these purchases.



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Pasco County Board of County Commissioners

June 4, 2018

Page 2

3. The Justification Exemption Form was not being used consistently or utilized to document sole source and noncompetitive purchases in accordance with the County's purchasing procedures.

**Control Activities:**

4. Board agenda memos prepared by departments included language, such as "at least" or "estimated" amounts, that allowed staff to increase their expenditures to unlimited amounts without obtaining additional approval pursuant to Section 2-110 (a) and (d) of the Purchasing Ordinance. The increases to purchase orders and contracts in testing ranged from \$2,815 to \$2,722,392.11.
5. There were 19 vendors with purchases that exceeded \$50,000, and there was no documentation that the vendor was awarded through the competitive bid process and/or approval was obtained from the BCC.
6. The purchasing records did not always accurately reflect purchase order and bid information in Munis.
7. Written policies and procedures regarding bids that were awarded to multiple vendors did not exist.
8. Purchase Order Reports from FASBE and Munis were incomplete. Of the 3,753 purchase orders, a total of 34 were identified as missing.
9. The Encumbered Contract Report from Munis was incomplete, and 374 missing contract numbers were identified.
10. The Purchasing Department did not review task orders and change orders related to contracts prior to BCC approval.
11. Community Development's internal purchase orders were not required to follow the Purchasing Ordinance, and were not submitted to Purchasing for review and approval.
12. There was a significant number of ATP's, totaling \$6,352,660, issued during the audit period.
13. ATP forms were not always filled out completely, accurately, or issues were identified regarding the PO numbers referenced on the forms. Consequently, purchases in violation of the County's purchasing procedures were not always properly approved and information reflected on the ATP forms did not always agree with the supporting documentation.



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Pasco County Board of County Commissioners  
June 4, 2018  
Page 3

14. The ATP Form did not require additional approvals from the County Administrator or BCC for purchases over the threshold limits noted in the Purchasing Ordinance. As a result, the Purchasing Director may have approved ATP's over the established approval limit of \$15,000.
15. ATP forms were not always processed timely, and the time delay ranged from 6 to 241 days. Consequently, some payments may not have been in compliance with the Local Government Prompt Payment Act.
16. The annual summary of ATP transactions was not submitted to the County Administrator within the timeframe as outlined in the Purchasing Handbook.

There were also three observations noted during the audit process that were outside the scope of the audit, but were important enough to bring management's attention. Management responses for the observations were received from former management. However, current management retracted the responses, and stated that they did want to address the observations in this report. The observations are found in the appendix of the report.

We appreciate the cooperation and professional courtesy received from management during this audit. Please let us know if you wish to discuss any of the information provided in the report.

We request the Board to receive and file the report.

Sincerely,

*Paula S. O'Neil, Ph.D.  
Clerk & Comptroller*

PSO/pmm

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*Office of Paula S. O'Neil*  
*Clerk & Comptroller*  
*Pasco County, Florida*

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**Pasco County Board of County Commissioner**

**Audit of Purchases Over \$50,000 &  
Authority to Pay Transactions (ATP's)**

June 5, 2018



**Department of Inspector General**

Patrice Monaco-McBride, CIG, CIGA, CGFO  
Inspector General

Erika Hendricks  
Auditor III

Sarah Denney  
Auditor I

Report No. 2017-02

**Table of Contents**

**Executive Summary ..... 2**

    Background Information ..... 2

    Audit Challenges ..... 5

    Objective ..... 6

    Scope and Methodology ..... 6

    Statutory Authority and County Guidelines ..... 8

    Conclusion ..... 9

**Audit Comments & Recommendations .....11**

    Compliance .....11

    Control Activities.....15

**Appendix .....31**

    Observations .....31

## Executive Summary

### Background Information

As a result of an inquiry, the Department of Inspector General (IG) conducted an audit of purchases greater than \$50,000 to verify purchases were solicited through a competitive procurement process. The audit period was October 1, 2015 through December 31, 2016. The audit scope also included all purchases processed during the audit period with an Authority to Pay (ATP) form because these did not comply with the Purchasing Ordinance or Purchasing Handbook.

The Purchasing Department was the County's centralized buying and supply management agency responsible for procuring goods and services at the best value, and to ensure that all procurement activity was conducted in compliance with County ordinance, applicable laws, and internal policies and procedures. The Purchasing Director was responsible to direct and supervise all purchasing for the County. This position reported to the Assistant County Administrator for the Internal Services Branch. During the audit process, there were four different Directors, two of which were interim positions, while a full-time Director was recruited for the Purchasing Department.

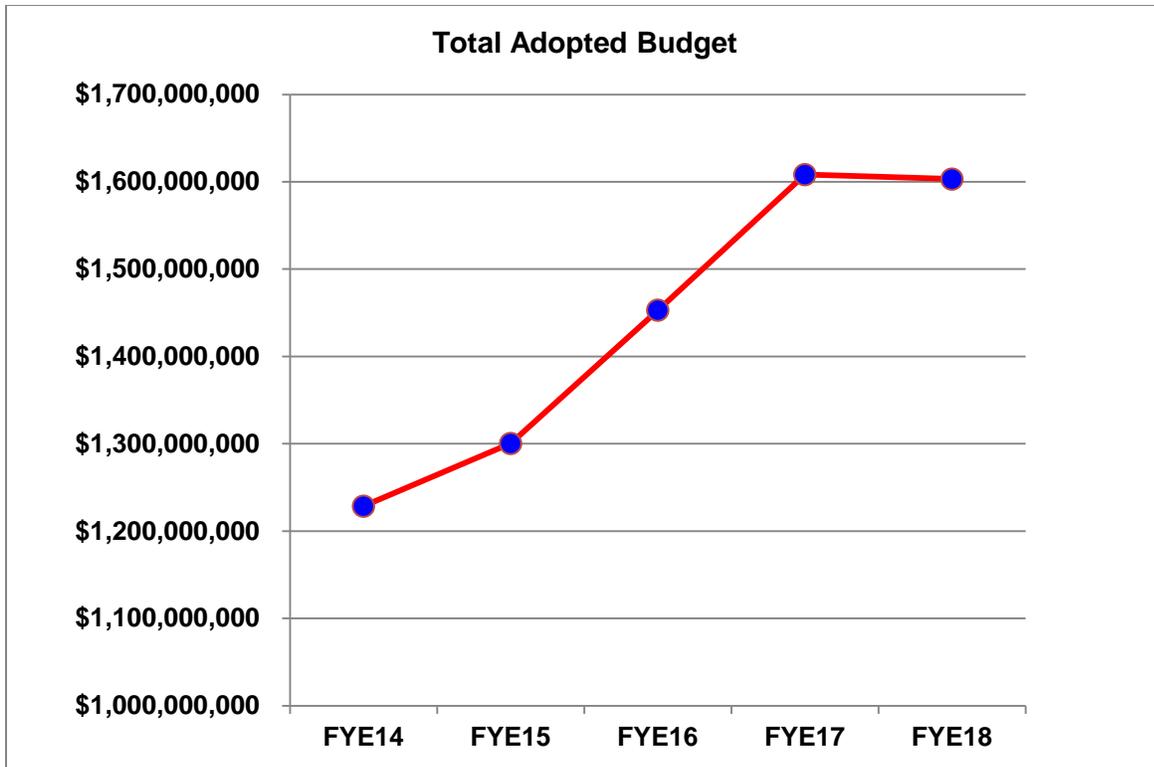
The Purchasing Ordinance of Pasco County governed the purchase of all goods, supplies, equipment, materials, construction, and services for the Board of County Commissioners (BCC), including the branches, departments, divisions, sections, and agencies under their control, regardless of the funding source, except as otherwise provided by law.

Pursuant to Section 2-93 of the Purchasing Ordinance, the purpose of the ordinance was to:

- Prescribe the manner in which the county was required to control the purchase of materials, supplies, equipment and certain contractual services of the county.
- Provide for the fair and equitable treatment of all persons involved in public purchasing by the county.
- Maximize the purchasing value of public funds in such procurement.
- Provide safeguards for maintaining a purchasing system of quality and integrity.
- Maintain a high ethical standard for all officers and employees of the county in connection therewith.

*A Vendor's Guide to Doing Business with Pasco County* was a document available on Pasco County's website. It was a guide published to provide general information to vendors that described authorized purchases, purchasing ordinance, bid opportunities and vendor registration, procurement methods, purchasing thresholds, and other information.

The chart below demonstrated that Pasco County's total adopted budget exceeded \$1 billion for the past five years.



Source: Pasco County Adopted Annual Budget for fiscal years 2014-2018

The County’s purchasing Ordinance and internal policies and procedures in effect during the audit required all purchases to be made using established procedures including an approval process for requisitions and purchase orders. The county utilized a Purchase Order based system of procurement, and goods and services were not to be ordered without a duly issued purchase order.

On December 12, 2015, the BCC approved an amendment to the Purchasing Ordinance (15-26) that increased the threshold amount for the competitive solicitation requirement from \$25,000 to \$50,000. The Purchasing Department was responsible for reviewing and overseeing the purchasing procedures outlined in the table below:

Dollar Threshold	Competition Requirement	Approval Required	Method of Purchase
\$50,000.01 or more	Competitive solicitation	BCC	Purchase order and/or contract
\$15,000.01 to \$50,000.00	Informal written quotes	County Administrator	Purchase order
\$ 5,001.01 to \$15,000.00	Informal written quotes	Purchasing Director	Purchase order
\$ 5,000.00 or less	Purchase was required to be made in the County’s best interest	Purchasing Director	Purchase order
		Cardholder	Purchasing card

In addition to the above purchase methods, the County had an Authority to Pay (ATP) procedure to process payments that did not strictly comply with either the Purchasing Ordinance

or Purchasing Handbook. Authority to Pay (ATP) forms were necessary for Financial Services to process and approve payments for purchases that were in violation of the County’s Purchasing Ordinance. The ATP form reviewed during the audit time period of October 1, 2015 through December 31, 2016 required approval signatures from the Department Head, Assistant County Administrator, and the Purchasing Director.

Reports of each method of purchase were obtained from the Purchasing Department and the Clerk & Comptroller’s Department of Financial Services for the audit period. These reports were reviewed, analyzed, and used to determine the audit population for testing. Based on the purchasing reports, the charts below illustrated the total number and total dollar value of transactions during the audit period.

- Chart 1 reflects 32,939 transactions during the audit period. The chart depicts with blue bars the number of transactions by purchase method. The number of purchases within each method that were individually over \$50,000 is reflected with red bars.

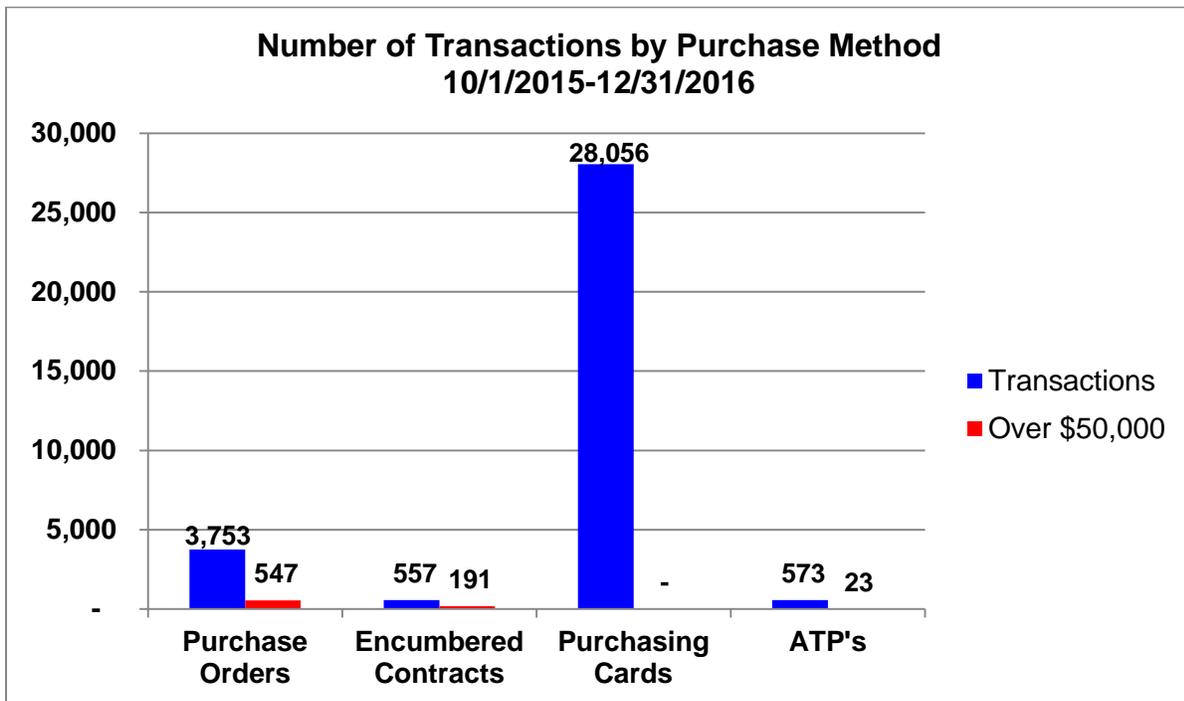


Chart 1

- Chart 2 reflects the total value of the purchases in Chart 1. The total \$465,372,357 transactions by purchasing method are depicted with blue bars. The transaction value for each method that was individually over \$50,000 are reflected with red bars.

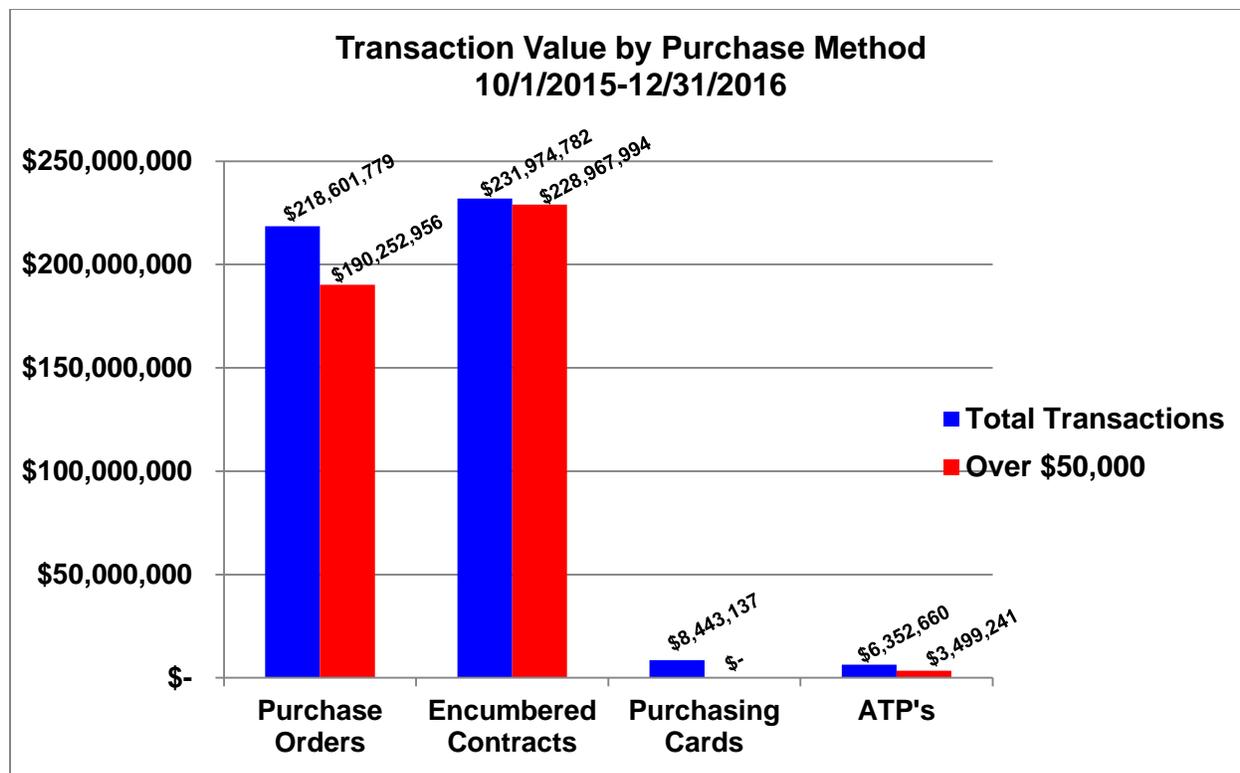


Chart 2

*Note: Prior to the implementation of the new financial system (August 2016), encumbered contracts were entered as purchase orders.*

Effective July 14, 2009, the County joined BidNet Direct to provide on-line bidding services through a web-based application as part of its ongoing efforts to encourage increased vendor participation and the number of responses to County solicitations. The on-line bidding service replaced prior paper-based processes by electronically distributing solicitations, associated documents and notices to vendors. Interested vendors were required to register online with BidNet Direct to view and respond to solicitations.

In August 2016, the County implemented a new financial management system (Munis) that was a web-based application with enhanced user functionality. The new system contained a Purchasing module for purchase orders, encumbered contracts, and to maintain vendor information. This conversion occurred during the scope of the audit, and the cut-off date for the old financial system (FASBE) was July 31, 2016.

**Audit Challenges**

Overall, there was a lack of readily available information and turnover in the Purchasing Department that negatively affected the audit process and caused significant delays. The following was noted:

- Purchasing staff did not know how to generate various reports or research information in systems (FASBE and Munis). As a result, there were difficulties in obtaining reports

relevant to the audit for fieldwork testing, and some information received was conflicting and/or incomplete.

- During the audit process, there were four different Directors of the Purchasing Department, two of which were interim, while a full-time Director was recruited.
  - Data, documentation, and responses to IG questions and comments that were previously provided by the former Purchasing Directors had to be reviewed and/or revised by the current Purchasing Director and the audit team. There was a five month delay in receiving supporting documentation that related to some audit comments.

## **Objectives**

The audit objectives were to:

1. Determine if goods, services, and construction purchases greater than \$50,000 were solicited through competitive solicitation process, purchased from a vendor not included on the disqualified vendor list, and approved by the Board of County Commissioners.
2. Determine if purchases were separated into smaller transactions to avoid competitive solicitation requirements.
3. Determine the number and amount of Authority to Pay (ATP) forms issued, and the appropriateness of the ATP's.

## **Scope and Methodology**

The audit period was from October 1, 2015 through December 31, 2016. The nature and scope of the audit was intended to provide objective and relevant assurance, and to contribute to the effectiveness and efficiency of governance, risk management, and control processes of purchases greater than \$50,000. The audit was limited in scope, and did not include a review of procurement methods for purchases less than \$50,000, except for ATP's. Since ATP's were required to authorize payment for a purchase that did not strictly comply with either the Purchasing Ordinance or Purchasing Handbook, and were frequently used, the scope included all ATP's issued during the audit period.

Since accounting records and system reports were maintained by unique vendor information, the audit procedures were performed by tracing and analyzing vendor activity, and included Purchase Orders, encumbered contracts, Authority to Pay, and purchasing card transactions.

Although the audit team exercised due professional care in the performance of this audit, this did not mean that unreported noncompliance or irregularities did not exist. The deterrence of fraud, and/or employee abuse was the responsibility of management. Audit procedures alone, even when carried out with professional care, did not guarantee that fraud or abuse was detected.

The audit was neither designed nor intended, to be a detailed study of every relevant system, procedure, or transaction. The purpose of this report was to provide an independent, objective

analysis, recommendations, and information concerning the activities reviewed. It was not an appraisal or rating of management.

To achieve the objectives, the procedures performed included, but were not limited to, the following:

- Developed an understanding of procedures and controls for purchasing transactions processed by the Purchasing Department. Information obtained and reviewed included internal policies and procedures, the Pasco County Purchasing Ordinance, and Florida State Statutes.
- Obtained, reviewed, and combined reports relevant to Purchasing for the audit period. These reports included a listing of purchase orders, encumbered contracts, purchasing card transactions, disbursements, and ATP's issued.
- Verified a random sample of purchase orders and encumbered contracts greater than \$50,000 were solicited for competitive bids, and approved by the BCC. Of the 738 purchase orders and encumbered contracts, a total of 74 (approximately 10%) were selected for testing (55 PO's and 19 encumbered contracts).
  - The BidNet system and Board Minutes Inquiry was accessed to verify and obtain supporting documentation.
  - Verified vendors associated with purchase orders or encumbered contracts were not included on the Disqualified Vendor Lists maintained by the County and the Florida Department of Management Services.
  - Verified the accuracy of the information recorded in Munis.
- Analyzed data from the purchase order report, encumbered contract report, purchasing card report, and disbursement report to determine if there were vendors with combined encumbrances and/or disbursements greater than \$50,000 during the audit period.
- Verified a sample of vendors with combined encumbrances and/or disbursements greater than \$50,000 was solicited for competitive bids. Of the 531 vendors, a total of 70 (approximately 13%) vendors were selected for testing.
  - 53 (10%) random and 17 selected judgmentally based on invoice amounts and number of transactions
  - The combined data for each vendor selected for testing was submitted to the Purchasing Department for review and to provide solicitation information. The responses provided by the Purchasing Department were reviewed and verified.
- Verified that 36 purchases from the above test samples that were exempt from competitive solicitation were properly justified in accordance with internal policies and procedures.
- Verified a sample of ATP forms contained the proper approval signatures, reason documented was considered an acceptable exception (i.e. emergency, conversion

related issues, isolated instance), and were processed in a timely manner. Of the 573 ATP forms, 80 (approximately 14%) ATP forms were selected for testing.

- 57 (10%) random and 23 selected judgmentally based on ATP reason and/or amount.
- Identified and documented discrepancies.

### **Statutory Authority and County Guidelines**

To conduct this audit, the Department of Inspector General relied on the following authoritative guidelines to serve as criteria:

- 2017 Florida Statutes, Chapter 112, Section 112.313- Standards of Conduct for Public Officers, Employees of Agencies, and Local Government Attorneys  
  
2017 Florida Statutes, Chapter 218, Section 218.73- Timely Payment for Non-construction Services
- 2017 Florida Statutes, Chapter 218, Section 218.735- Timely Payment for Purchases of Construction Services
- 2017 Florida Statutes, Chapter 255, Section 255.0525- Advertising for Competitive Bids or Proposals
- 2017 Florida Statutes, Chapter 286, Section 286.011- Public Meetings and Records; Public Inspection; Criminal and Civil Penalties
- 2017 Florida Statutes, Chapter 287- Procurement of Personal Property and Services:
  - Section 287.012- Definitions
  - Section 287.055- Consultants' Competitive Negotiation Act
  - Section 287.056- Purchases from Purchasing Agreements and State Term Contracts
  - Section 287.134- Discrimination
- Pasco County Ordinance No. 15-26, revised 12/15/15- Purchasing
- Pasco County Policy No. 900-06: Administrative Policies and Procedures Manual, dated 12/30/15- Purchasing
- Pasco County Purchasing Handbook, dated 1/25/05
  - PR381- Purchase Requisitions
  - PR382- Specifications
  - PR389- Authority to Pay (ATP)
  - PR390- Emergency Purchases
- Pasco County Purchasing Card Manual, revised November 2016

- Pasco County Authority to Pay Form
- Pasco County Justification Form (Sole Source Form) for Purchases Exempted from Competition
- *A Vendor's Guide to Doing Business with Pasco County*

## Conclusion

The Department of Inspector General (IG) concluded that the internal controls over purchasing required improvement to ensure purchases are in compliance with the Purchasing Ordinance, internal policies and procedures, and to reduce the risk of public funds being misused, misappropriated, or purchases not being procured at the best value.

The recommendations made in this report were offered to strengthen the control environment. All audit comments and recommendations were discussed with management, and their responses were included in this report.

There were also observations noted during the audit process that were outside the scope of the audit, but were important enough to bring to management's attention (see Appendix). Management responses, including corrective action and estimated completion dates, were received from former management for the observations. However, current management retracted the responses, and stated that they do not want to address the observations in this report.

The IG thanks the Purchasing Department for their professionalism and cooperation during this audit. Management is commended for their responsiveness in taking corrective action for some of the comments that were brought to their attention during the audit. The current Purchasing Director recognizes the importance of internal controls, the need for improvement, and has begun the process of making changes and updates to policies and procedures to improve oversight and internal control over the purchasing function county-wide. The following corrective action has already been taken:

- Utilization of not-to-exceed amounts in lieu of *at least or estimated* amounts in agenda memorandums submitted for BCC approval was addressed with all Departments.
- The ATP form was revised and distributed to all County staff. Additional approvals and signatures were required on the revised ATP form. The form was also retitled as Unauthorized Purchase Request.
- *A Vendor's Guide to Doing Business with Pasco County* was updated to include a recommendation to vendors to submit invoices within a reasonable time frame.
- Revisions were made to the Purchasing Ordinance, and were in the public hearing process.
- The Purchasing Manual was in the process of being updated to address some of the concerns noted in this audit report.

Based on the documentation reviewed and audit procedures performed, the IG identified 16 opportunities for improvement:

No.	Description	Page Reference
<b>Comments (Compliance):</b>		
1.	The Purchasing Handbook had not been updated since 2005, and did not reflect all the current policies and procedures for procuring goods and services.	11
2.	Purchase orders and contracts with change orders or amendments to the original amount approved by the BCC, totaling \$17,620,291.35, were not always approved in accordance with the Purchasing Ordinance requirements. Supporting documentation was not provided for some of these purchases.	12
3.	The Justification Exemption Form was not being used consistently or utilized to document sole source and noncompetitive purchases in accordance with the County's purchasing procedures.	14
<b>Comments (Control):</b>		
4.	Board agenda memos prepared by departments included language, such as "at least" or "estimated" amounts, that allowed staff to increase their expenditures to unlimited amounts without obtaining additional approval pursuant to Section 2-110 (a) and (d) of the Purchasing Ordinance. The increases to purchase orders and contracts in testing ranged from \$2,815 to \$2,722,392.11.	15
5.	There were 19 vendors with purchases that exceeded \$50,000, and there was no documentation that the vendor was awarded through the competitive bid process and/or approval was obtained from the BCC.	16
6.	The purchasing records did not always accurately reflect purchase order and bid information in Munis.	17
7.	Written policies and procedures regarding bids that were awarded to multiple vendors did not exist.	18
8.	Purchase Order Reports from FASBE and Munis were incomplete. Of the 3,753 purchase orders, a total of 34 were identified as missing.	19
9.	The Encumbered Contract Report from Munis was incomplete, and 374 missing contract numbers were identified.	20
10.	The Purchasing Department did not review task orders and change orders related to contracts prior to BCC approval.	21
11.	Community Development's internal purchase orders were not required to follow the Purchasing Ordinance, and were not submitted to Purchasing for review and approval.	22
12.	There was a significant number of ATP's, totaling \$6,352,660, issued during the audit period.	23
13.	ATP forms were not always filled out completely, accurately, or issues were identified regarding the PO numbers referenced on the forms. Consequently, purchases in violation of the County's purchasing procedures were not always properly approved and information reflected on the ATP forms did not always agree with the supporting documentation.	25

No.	Description	Page Reference
14.	The ATP Form did not require additional approvals from the County Administrator or BCC for purchases over the threshold limits noted in the Purchasing Ordinance. As a result, the Purchasing Director may have approved ATP's over the established approval limit of \$15,000.	27
15.	ATP forms were not always processed timely, and the time delay ranged from 6 to 241 days. Consequently, some payments may not have been in compliance with the Local Government Prompt Payment Act.	28
16.	The annual summary of ATP transactions was not submitted to the County Administrator within the timeframe as outlined in the Purchasing Handbook.	30

### Audit Comments & Recommendations

**Compliance:** Since compliance with agreements, contracts, laws, rules, regulation, policies and procedures is expected, recommendations were not provided.

#### Purchasing Handbook

**1. The Purchasing Handbook had not been updated since 2005, and did not reflect all the current policies and procedures for procuring goods and services.**

The Purchasing Handbook was not amended in accordance with section 2-95 of the Purchasing Ordinance. The purchasing director was required to:

- Promulgate and amend, when necessary, policies and procedures governing the procurement of goods and services.
- Prescribe and maintain a purchasing manual for all using agencies. The purchasing manual was required to include all approved policies and procedures promulgated by the purchasing director.

A comprehensive procurement policy manual that outlined policies and applicable laws was critical to ensuring that staff and all stakeholders followed the proper procedures and rules for procurement. A comprehensive policy manual would promote a clear and consistent understanding of the required regulations related to the procurement of goods and services.

**Recommendation:** Since compliance with agreements, contracts, laws, rules, regulation, policies and procedures is expected, a recommendation was not provided.

**Management Response:**

*The Purchasing Ordinance has undergone a major rewrite since 2005 and another Ordinance modification is pending. The Purchasing Manual is in the process of being*

*updated to comply with the revised Ordinance. During the period since 2005 there were numerous departmental trainings that the Purchasing Department hosted for user departments and vendors to familiarize them with the County's purchasing process. Also, more formal trainings, (Purchasing 101 and Specifications Writing trainings, for example) were implemented in 2016 to provide an extended foundation to staff and stakeholders on the purpose and requirements of the Purchasing process. Internal Purchasing Bulletins were also issued to provide direction to user departments.*

**Corrective Action Plan:**

*Once the pending modification to the Purchasing Ordinance is approved and Manual is in place, the Purchasing staff will provide, training on the policies and procedures outlined therein to all stakeholders.*

**Estimated Completion Date:**

*Full rollout on or before September 30, 2018.*

**PO and Encumbered Contracts Testing**

- 2. Purchase orders and contracts with change orders or amendments to the original amount approved by the BCC, totaling \$17,620,291.35, were not always approved in accordance with the Purchasing Ordinance requirements. Supporting documentation was not provided for some of these purchases.**

According to Section 2-110 (a) and (d) of the Purchasing Ordinance, the BCC was required to approve purchases that exceeded \$50,000, unless otherwise exempted. All written alternations or change orders issued against a formal written agreement or contract, was required to be submitted to the BCC for approval prior to execution of such alternations or changes. All written alternations or change orders issued against purchase orders, not involving a formal written agreement or contract, was required to be submitted to the approving authority in accordance with section 2-110, taking into account the proposed change.

There were 43 vendors with purchase orders and contracts with change orders or amendments to the original amount that were not approved in accordance with the Purchasing Ordinance requirements. The following was identified:

- For one vendor (PO #9308), the agenda memo approved by the BCC stated there was no funding required because funding was undetermined, and would be contained in various department budgets. Change orders were issued to increase the amount from \$111,000 to \$334,000. The increase totaled \$223,000, and was approved by the Purchasing Director. However, there was no documentation the BCC approved the additional funds.
- For one vendor (PO #17000143), the BCC approved additional funds to increase the amount from \$200,000 to \$559,975. The increase totaled \$359,975. However, the purchase order was effective 10/26/16, which was prior to the BCC approval (12/13/16).
- For one vendor (PO #170000045), the bid award was approved by the former County Administrator for "at least" \$22,000 (on 7/26/16). However, the purchase order amount reflected in Munis was \$116,400.00. The IG team could not verify that the increase in the purchase order amount of \$94,400 was approved by the BCC. The former Purchasing

Director confirmed that the increase was not presented to the BCC. After the IG team notified management of the discrepancy, approval was obtained from the BCC on 08/15/2017.

- For one vendor (PO #17000359), a change order was issued to increase the amount from \$6,368.28 to \$76,268.28. The increase in the amount totaled \$69,900, and was approved by the former Purchasing Director. However, there was no documentation the BCC approved the additional funds.
- For one vendor (contract #744), the original amount was increased from \$190,417 to \$931,092. However, the BCC approved \$404,000 in additional funds. According to the former Purchasing Director, changes were made in error. Corrections were made to the contract amount after the IG team identified the discrepancy, and the amount was decreased by \$354,557.42.
- There were 38 vendors with purchases that exceeded the amount reflected in the original formal agreement that was approved by the BCC.
  - Vendors awarded contracts with “at least”, “estimated”, or “likely to exceed” language:
    - The majority of the vendors with bids (27) were approved by the BCC for “at least”, “estimated”, or “likely to exceed” amounts. This allowed departments to increase their expenditure amounts with getting additional approval from the BCC. The increases ranged from \$33,196.92 to \$2,722,392.11.
      - For one of the “at least” contracts (#437), the following was also noted:
        - The original amount reflected in Munis was \$200,000. However, the BCC approved an estimated cost of \$119,160 annually. There were no change orders reflected in the financial system that increased the contract amount from \$119,160 to \$200,000. This represented a 68% increase over the additional amount approved by the BCC.
        - There were two changes made to increase the amount from \$200,000 to \$999,999. However, the additional funds were not approved by the BCC. The revised amount was also added to FY18 through FY21. According to the former Purchasing Director, the amount presented to the BCC was approved based on estimated quantities, and was approved for an “at least” amount, and did not include a “not to exceed” amount.
  - Vendors awarded contracts with “total cost” or “in the amount of” language:
    - There were 11 vendors with bids that had expenditures and/or encumbrances that exceeded the amount approved by the BCC. The

difference between the BCC approved amount and amount disbursed ranged between \$108,897.69 and \$3,468,429.21. The agenda memo approved by the BCC referenced “total cost” or “in the amount of.” No additional information was provided to verify BCC approval of changes.

**Recommendation:** Since compliance with agreements, contracts, laws, rules, regulations, policies and procedures is expected, a recommendation was not provided.

**Management Response:**

*The previous practice was to allow the “at least” or “estimated” amount language in agreements taken to the Board. The County has previously not included a “Not to Exceed” amount in the estimated expenditure language but will in the future to cap the planned expenditures.*

**Corrective Action Plan:**

*The policy of not allowing new “at least” or “estimated” contracts is already in place. Any pre-existing contracts that are in place will be allowed to expire if they stay below the threshold already approved by the BCC. Any future modifications to increase funding for pre-existing contracts that are in place will be taken to the BCC for approval. Additionally it should be noted that a Purchasing Bulletin on this topic that was distributed to all County departments on 10/23/17.*

**Estimated Completion Date:**

*Already completed actionable items, and ongoing oversight exists.*

**3. The Justification Exemption Form was not being used consistently or utilized to document sole source and noncompetitive purchases in accordance with the County’s purchasing procedures.**

Pursuant to Section 2-103 (a) and (b) of the Purchasing Ordinance, all sole source and noncompetitive purchases were required to be in the public’s best interest and justified. The requesting agency was required to provide the Purchasing Director with written justification that clearly described and documented the advantages of declaring the purchase noncompetitive on the basis that only one potential or reasonable provider for an item.

The Justification Exemption form was required by policy to be completed by Departments to confirm compliance with the Purchasing Ordinance for sole source/ sole brand or exempted from competition.

The following was noted during testing:

- 18 of 19 purchases (18 purchase orders and 1 contract) in the test samples that were not solicited for competitive bids did not have a Justification Exemption Form completed to justify the purchase or the Justification Exemption Form was not completed properly.
  - For 2 purchases (PO #9702 and #9872), the Justification Exemption did not reflect the Purchasing Director’s signature for approval. There was no

documentation that reflected Purchasing reviewed the purchase prior to being presented and approved by the BCC.

- For 1 purchase (PO #10135), the Justification Exemption Form was approved by the Purchasing Director after approval was obtained from the BCC.
- For 15 purchases, there was not a Justification Exemption Form on file in the Purchasing Department. Of the 15, a total of 8 did not have any other documentation on file that justified the exemption or documentation of approval from the Department Head or Purchasing Director.

**Recommendation:** Since compliance with agreements, contracts, laws, rules, regulations, policies and procedures is expected, a recommendation was not provided.

**Management Response:**

*The Purchasing Director is working with the Purchasing team and Departments requesting the exemption to ensure that the proper documentation is included on all sole source and noncompetitive purchases.*

**Corrective Action Plan:**

*The Purchasing Manual is currently being revised and will reflect the proper procedures and justification required for a sole source and noncompetitive purchases exemption to be approved. Back up documentation is currently being required with all sole source and noncompetitive purchase forms.*

**Estimated Completion Date:**

*Ongoing.*

**Control Activities:** Listed below are comments that represent opportunities to strengthen the internal controls. For each comment, a recommendation has been included.

**PO and Encumbered Contracts Testing**

- 4. Board agenda memos prepared by departments included language, such as “at least” or “estimated” amounts, that allowed staff to increase their expenditures to unlimited amounts without obtaining additional approval pursuant to Section 2-110 (a) and (d) of the Purchasing Ordinance. The increases to purchase orders and contracts in testing ranged from \$2,815 to \$2,722,392.11.**

There were numerous department agenda memos in the audit test samples for contracts or agreements that referenced “at least” amounts for the estimated costs, and were approved by the BCC. This allowed the departments to increase their expenditures to an unlimited amount without obtaining additional approval. The increases to the purchase order and contract amounts included in testing ranged from \$2,815 to \$2,722,392.11.

**Recommendation:** When costs of contracts or agreements are estimated, require that maximum, or not to exceed amounts be reflected on the agenda memos and contracts

presented to the BCC. This will help ensure purchases are made in the most efficient and economical way, and changes to the original amounts are in compliance with the Purchasing Ordinance requirements.

**Management Response:**

*The Purchasing Department is currently working with all Departments to ensure going forward all contracts approved by the BCC has a not to exceed amount instead of an at least amount.*

**Corrective Action Plan:**

*The policy of not allowing new "at least" or "estimated" contracts is already in place. Any pre-existing contracts that are in place will be allowed to expire if they stay below the threshold already approved by the BCC. Any future modifications to increase funding for pre-existing contracts that are in place will be taken to the BCC for approval.*

**Estimated Completion Date:**

*Purchasing is currently addressing on a case by case basis.*

**5. There were 19 vendors with purchases that exceeded \$50,000, and there was no documentation that the vendor was awarded through the competitive bid process and/or approval was obtained from the BCC.**

Pursuant to section 2-105 of the Purchasing Ordinance, any purchase of a good or service, individually or collectively for a project or ongoing need, in which the total expenditure was reasonably estimated to be greater than \$50,000 in a fiscal year or calendar year required competitive seal bids. According to section 2-110 of the Purchasing Ordinance, the BCC was required to approve purchases that exceeded \$50,000.

During the audit, the following was noted:

- There were 14 purchases for which management did not provide verification that the purchases were competitively solicited as required by the Purchasing Ordinance, and were not presented to the BCC for approval.
  - For 13 vendors, the purchases totaled more than \$50,000, ranging from \$51,463 to \$264,904.26. Purchasing did not provide supporting or sufficient documentation to verify that the vendors were awarded through the competitive bid process or were exempted from the bid process.
  - There was one vendor that had expenditures and/or encumbrances that exceeded \$50,000, and was not approved by the BCC. Expenditures totaled \$178,634.42 for the audit period. According to purchasing staff, these were Request for Qualifications (RFQ) approved by Administration and Purchasing.
- There were five exempt vendors that had expenditures and/or encumbrances that exceeded \$50,000. Documentation that the sole sources or cooperative agreements were approved by the BCC was not provided. The purchases ranged between \$128,106.12 and \$759,818.32.

**Recommendation:** Policies and procedures should be established that define the requirements of section 2-104 of the Purchasing Ordinance. Total expenditures and encumbrances, by vendor or commodity, in a fiscal year and calendar year should be monitored by the Purchasing Director on a regular basis to ensure the competitive bid process and BCC approval is not circumvented.

**Management Response:**

*Management recognizes that the need for better standardization and oversight of the Purchasing process is required in order to ensure fiscal responsibility among all Departments.*

**Corrective Action Plan:**

*The County hired a new Purchasing Director in February 2018 to address these issues and standardize the process. Likewise, the Purchasing Ordinance No. 15-26 is currently being revised and updated for Board approval. Additional revisions to the Ordinance are scheduled to be adopted by the Board in June 2018. The Purchasing Polies & Procedures Manual will also be updated to reflect all Board approved changes outlined in the Ordinance.*

**Estimated Completion Date:**

*September 30, 2018.*

**6. The purchasing records did not always accurately reflect purchase order and bid information in Munis**

Information entered into Munis was not always accurate. The following was noted:

- For two contracts (#481 and #482), the bid was a multiple vendor award. There were two vendors, and the estimated award amount was \$125,000 each. The total amount approved by the BCC for both vendors combined was \$250,000. However, the annual contract amount reflected in Munis for each contract was \$250,000. The amount entered for both vendors totaled \$500,000.
- For contract #559, the original amount reflected in Munis was \$225,000. However, the BCC approved an "amount of" \$223,262. The Purchasing Department could not provide an explanation for the difference between the two amounts.
- For contract #710, the original amount reflected in Munis was \$2,559,801.60. However, the BCC approved "at least" amount of \$856,280 annually. According to the former Purchasing Director, it appeared the amount entered was for the full lump sum of the contract, and the amount was not broken down.
- For purchase order #9442, the bid number referenced in Munis (#IFB-RT-15-141) was incorrect. According to the former Purchasing Director, the bid number was should have been #IFB-KB-15-141.
- For four contracts (#415, #522, #858, #744), the initial expiration date reflected in Munis was 9/xx/9999 or blank. The former Purchasing Director stated there were issues when

the new system went live, and some Departments entered the expiration date of 9/30/9999 to avoid having invoice payment delays.

**Recommendation:**

- Purchase order and contract information entered in to the system should be reviewed for accuracy to ensure the purchasing records are accurate and amounts agree to the amounts approved by the BCC.
- Determine the number of contracts in Munis with an expiration date of 9/xx/9999 or are blank. Corrections should be made to update the expiration dates, and correct the information identified above.

**Management Response:**

*Amounts entered by Departments into Munis which exceed the approved amount will be rejected by the Purchasing Department. All backup documentation related to the project and approval amounts will be attached to the requisition/contract before approved by the Purchasing Department staff and Director at their levels in Munis.*

*As with any new major finance system being implemented, when the County went live with the Munis system, there were still productions and deliveries that needed time to be resolved. The Purchasing Department has been working with the Fiscal and Finance Department to work through these issues and to implement corrective changes to ensure compliance and accuracy with the purchasing records.*

**Corrective Action Plan:**

*The Purchasing Department will continue to work with the Fiscal and Finance Departments and will review all documents uploaded into Munis to ensure that the 9/30/9999 expiration date is removed and the proper completion date is included. The Purchasing Department will double check the solicitation information against the requisition/contracts to ensure correct information is included.*

**Estimated Completion Date:**

*Ongoing.*

**7. Written policies and procedures regarding bids that were awarded to multiple vendors did not exist.**

For numerous purchase orders (8 out of 33) and contracts (6 out of 23) included in testing that were competitively solicited, the bid was awarded to multiple vendors. Some of the multiple awards were issued to provide flexibility when the lowest bidder was not available and to offer the best opportunities for reducing cost. However, there were no written policies and procedures that guided department users on the process when the lowest bidder was not available.

**Recommendation:** Develop policies and procedures that define:

- a. When to award to multiple vendors.
- b. The process of purchasing from the multiple vendors awarded.
- c. Detailed documentation that must be maintained when one of the vendors awarded was unable to fulfill a purchase order.

**Management Response:**

*In the solicitation documents the County identifies that multiple awards may result. There is no legal prohibition in Florida Statutes or County Ordinance that would preclude awarding contracts to multiple vendors under a single solicitation.*

**Corrective Action Plan:**

*The circumstance of when to award multiple vendors will continue to be covered in the solicitation documentation. The process of purchasing from multiple vendors awarded and a detailed documentation that must be maintained when one of the vendors awarded was unable to fulfill a purchase order will be included in the updated Purchasing Manual.*

**Estimated Completion Date:**

*On or before September 30, 2018.*

**8. Purchase Order Reports from FASBE and Munis were incomplete. Of the 3,753 purchase orders, a total of 34 were identified as missing.**

Reports were requested from FASBE and Munis that included all purchase orders (i.e. open, closed, deleted, etc.) for the audit period. The following was noted:

**FASBE Purchase Order Report:**

Of the 2,141 unique purchase order numbers included on the FASBE report for the period 10/1/15 through 7/31/16, a total of 29 were identified as missing. The following was noted:

- A total of 12 purchase orders did not exist in FASBE (#163060, #163263, #163477, #163904, #164113, #164389, #164653, #164661, #164967, #165002, #165024, and #165032).
- A total of 11 purchase orders had a deleted status reflected in FASBE (#163066, #163510, #163704, #163840, #163901, #163992, #164065, #164096, #164504, #164986, and #164987).
- A total of six purchase orders had an active status reflected in FASBE (#163423, #163443, #163648, #164010, #164423, and #165097).

**Munis Purchase Order Report:**

Of the 763 purchase orders included on the Munis report for the period 8/1/16 through 9/30/16, excluding converted purchase orders, a total of five were identified as missing (#16000327, #16000349, #16000351, #16000727, and #16000728).

In addition to the above, the first purchase order number reflected on the Munis Purchase Order Reports for both fiscal year 2016 and 2017 did not agree to the first purchase order number included in the sequence provided by Finance. The following was noted:

- According to Finance, the first purchase order number issued in Munis for FY16 after the system went live was 16000000. The first purchase order number reflected on the Munis Report was 00000001.

- According to Finance, the first purchase order number issued in Munis for FY17 was 17000000. The first purchase order number reflected on the Munis Report was 17000001.

**Recommendation:** The purchase order numbers identified above should be reviewed to determine why there were excluded from the FASBE or Munis report. System errors should be researched and corrected. Implement a policy and procedure to require a periodic reconciliation to ensure all purchase orders (numbers) are accounted for.

**Management Response:**

*Any Purchase Orders that were in the Munis system that had been converted but were never posted had to be deleted to close out the 2016 Year End. Purchasing was not involved in the year end close. It was the Clerk's Office and Consultant that did that year end close. The P.O.s referenced above were likely deleted by Clerk's office because they were holding up the year -end close. That means they were either in a created, rejected, or pending status. All P.O.s must be in an approved, hosted, and printed status prior to year-end processing. Munis does not track the deleted Purchase Orders and Purchase Order numbers are assigned when the requisition is converted. If that P.O. is converted it receives a number; however if it is never posted then that would create a gap in the numbering of the Purchase Order.*

**Corrective Action Plan:**

*Purchasing staff doesn't have the authority to delete Purchase Orders, only the Purchasing Director does. The previous Purchasing Director may have inadvertently deleted P.O.'s while trying to approve an item in Munis as it was a new system during the time of this audit. Currently our practices do not include deleting any P.O.'s. A solution going forward will be that Instead of rejecting a Purchase Order, we can approve the PO, post and print it, then cancel the PO to keep the history and to prevent future gaps in Purchase Orders. Also ensure prior to year-end close, that all Purchase Orders are being moved through the workflow and printed prior to year-end close.*

**Estimated Completion Date:**

*September 30, 2018.*

**9. The Encumbered Contract Report from Munis was incomplete, and 374 missing contract numbers were identified.**

Of the 557 encumbered contracts included on the report for the period 10/1/15 through 12/31/16, a total of 374 contracts were identified as missing. The IG team was unable to verify that Encumbered Contracts Report included all contracts for the audit period. The cut-off information first and last contract numbers for the audit period could not be provided. In addition, there was no history of contracts that were deleted or cancelled.

**Recommendation:** Cut-off information for contracts issued during the fiscal year should be documented to ensure that all transactions are recorded in the correct accounting period. Since there is no history of contracts deleted or cancelled in the system, compensating controls should be in place to track these contracts. The reason should be also noted.

**Management Response:**

*Contracts that were closed or deleted are not tracked in the Munis system. Munis does not provide a history of contracts that were deleted or cancelled. During the startup of the new Munis system it was common for errors to be made by staff when entering a contract. Sometimes contracts were entered as Encumbered when they needed to be entered as Item Quantity Cost Contract. If a contract was in the "created" or "rejected" status and then deleted it would have received a number but could not be found in Munis. Only contracts in the "created" or "rejected" status can be deleted. Deletion of the contracts in the "created" or "rejected" status must be done in order to complete the Year End Close Out.*

**Corrective Action Plan:**

*The Munis system does not provide for tracking of the deleted contracts and the numbers assigned to deleted or cancelled contracts are not reused. The end users only have the ability to delete contracts in the "created" and "rejected" status. They do not have the ability to delete any contracts that have gone through the proper workflow process.*

**Estimated Completion Date:**

*No additional action necessary at this time.*

**10. The Purchasing Department did not review task orders and change orders related to contracts prior to BCC approval.**

According to section 2-94 of the Purchasing Ordinance, the Purchasing Director was required to direct and supervise all purchasing for the County. However, there was not a formal policy and procedure in place that required task orders and change orders related to contracts to be submitted to the Purchasing Department for review prior to being included on the Board agenda.

- One contract (#349) included in testing was based on a task order related to professional services, and additional funds were approved by the BCC to increase the total amount to \$236,877. According to the former Purchasing Director, this was considered a continuing contract, and should not have exceeded \$200,000.

**Recommendation:** Establish policies and procedures that require all change and task orders related to contracts and purchases to be reviewed by purchasing prior to being included on the Board agenda for approval. Additionally, this internal control may serve as a quality control step to reduce the number of errors, oversights, and edits required after the BCC agenda is published.

**Management Response:**

*Sec 2-110 (d) addresses Change Orders and states: All written alterations or change orders issued against a formal written agreement or contract, shall be submitted to the Board of County Commissioners for approval prior to execution of such alterations or changes. All written alterations or change orders issued against purchase orders, not involving a formal written agreement or contract, shall be submitted to the approving authority in accordance with Section 2-110, taking into account the proposed change.*

*Although all change orders to Purchase Orders (not tied to a contract) are reviewed and approved by the Purchasing Director, change orders and/or task orders related to Board approved contracts are specifically designated to the Board, not the Purchasing Director for approval per Section 2-110 of the Purchasing Ordinance. Board approved contracts for the purchase of materials and/or services may have language which provides the Project*

*Manager the authority to review and authorize Change Orders and/or Task Orders, which is then submitted by the Department Director to the Board or County Administrator for approval, depending on the level of approval and language in each individually Board approved contract. Likewise all contract related change orders and task orders are reviewed by the County Attorney's office for statutory compliance before going to the Board for approval as they are in charge of all contracts.*

*While we agree that the Purchasing Department should be made aware of all change orders and task orders to ensure compliance with Purchasing procedures, the Purchasing Director should not act as the subject matter expert to determine whether change orders and task orders tied to a contract should be approved prior to legal and BCC approval.*

**Corrective Action Plan:**

*The Purchasing Manual will be updated to address the issue of change orders and task orders tied to a contract for BCC approval and a policy will be created with the assistance of legal that is consistent with the Purchasing Ordinance going forward.*

**Estimated Completion Date:**

*September 30, 2018.*

**11. Community Development's internal purchase orders were not required to follow the Purchasing Ordinance, and were not submitted to Purchasing for review and approval.**

Community Development issued internal purchase orders (IPO's) for rehabilitation projects facilitated through the Pasco Opportunity Program. IPO's were not required to follow the County's Purchasing Ordinance.

The POP agencies selected their contractors to conduct the work, and were later reimbursed for costs by the County. The invoices were approved by the Community Development Manager, and then submitted to Accounts Payable. There was not a requirement to send any documentation to the Purchasing Department for review and approval.

For 2 of the 70 vendors included in the test sample, a total of \$2,918,717.20 (Covenant Homes) and \$135,881.53 (Keystone Challenge) was disbursed, and approved by Community Development, without any secondary reviews or approvals in the County.

**Recommendation:** Internal purchase orders related to Community Development should be routed through the Purchasing Department for review prior to being processed for payment. Purchasing should consider obtaining BCC approval to rescind the separate procurement authority granted to Community Development. If not feasible, the Purchasing Ordinance should be updated to specifically cite Community Development internal purchase orders as an exclusion from the ordinance.

**Management Response:**

*Community Development is subject to the Purchasing Ordinance. The Board exercised their authority to approve an alternative purchasing process specifically for the POP program (CD97-127) and Affordable Builder Certification Program (CD97-126). These programs are also subject to follow state and federal requirements (as it relates to HUD, Florida Housing*

*Finance Corporation, USDA requirements, etc.) over and above those provided under the Purchasing Ordinance. Community Development directly handles all bidding out of their Department for contractors, as part of these programs. Additionally, competitive bids are solicited for every Community Development project and change orders exceeding \$50,000. Internal Purchase Orders from Community Development flow in Munis straight to Finance for approval then posting.*

*It is important to note that while the Purchasing Department does not directly provide daily oversight of the Community Development Department, they do not operate without significant oversight. Every grant dollar spent is tracked by HUD and Florida Housing Finance Corporation to ensure proper fund utilization and compliance, as well as supporting documentation completion and maintenance. This is done as expenditures occur and via periodic formal audits. To that point, they are currently being audited by Florida Housing Finance Corporation in the same way the Inspector General audits our Purchasing process.*

**Corrective Action Plan:**

*Purchasing will continue to work closely with Community Development to understand their internal purchasing process and provide guidance as needed.*

**Estimated Completion Date:**

*Ongoing*

**Additional IG Comment:**

Management’s response above includes a statement that the audits performed by external agencies are the same as the Inspector General. This is not an accurate statement. The internal audit function has a different focus related to audit scope and objectives, than an outside or external audit agency.

**ATP Testing**

**12. There was a significant number of ATP’s, totaling \$6,352,660, issued during the audit period.**

The County’s purchasing procedures were not uniformly enforced with respect to the uses of the ATP’s. Some of the ATP’s reviewed were not in fully completed in compliance with the Purchasing Ordinance As a result, there was a significant amount of ATP’s issued, a total of 573, excluding County Attorney, during the audit period (10/1/15-12/31/16) as noted below.

<b>FY</b>	<b>Number of ATP's</b>	<b>Amount of ATP's</b>
16	165	\$ 826,081.78
17	408	\$ 5,526,578.22
	<b>573</b>	<b>\$ 6,352,660.00</b>

Based on the reasons reflected on the ATP lists maintained by Purchasing, the majority, or 510 (89%), of the ATP’s were due to:

- Invoices referenced a PO or contract that had been closed:
  - 229 in the amount of \$2,831,069.22

- Invoices were received with no PO or contract:
  - 201 in the amount of \$2,332,938.74
- Invoices received exceeded the PO amount:
  - 80 in the amount \$700,819.14

Management stated there was a spike in ATP's between August 2016 and December 2016 due to the conversion from FASBE to Munis. However, documentation provided by the Purchasing Department did not support this statement. Only 6 of the 573 ATP's issued were documented on the ATP list as conversion issues. In addition, there was one ATP documented as an emergency on the ATP list maintained by purchasing.

**Recommendation:**

- The County's purchasing procedures should be enforced for all purchases, and should restrict the use of ATP's only for exemptions reflected in the Purchasing Manual.
- Revise the ATP forms to better comply/reflect the requirements reflected in the Purchasing Ordinance.
- Update the ATP policy to outline the consequences for County staff for failing to submit a Purchase Requisition prior to creating a legal obligation to pay public funds, and to include a reference to the Ordinance provision prohibiting unauthorized purchases (section 2-115).

**Management Response:**

*The increase in ATP's is an issue that the Purchasing Department is currently addressing. The County Administrator in coordination with the Purchasing Department is committed to implementing a more stringent policy that shall restrict the use of ATP's as will be outlined in the Purchasing Ordinance and Manual.*

**Corrective Action Plan:**

*A revision to the he Purchasing Ordinance has been is scheduled for Board approval on June 5, 2018 and will include revisions to the unauthorized purchase section. Once the new Ordinance is approved and adopted by the Board, the Purchasing Policies & Procedures Manual will also be updated to reflect all Board approved changes outlined in the Ordinance. The ATP Policy will be clearly outlined in the Purchasing Manual as will be the consequences for any County staff failing to follow the proper purchasing procedures prior to creating a legal obligation to pay public funds.*

*Additionally, on May 7, 2018, a revised ATP form has been circulated to all County Departments for their immediate use. Going forward a Department Head that submits an ATP over the amount previously approved by the Board will be required to submit an agenda item to the Board for approval at the next available Board meeting for any additional amount to be paid. Likewise the amount of ATP's utilized per Department will be taken into consideration as part of end of year evaluations by the County Administrator or his designee.*

**Estimated Completion Date:**

*September 30, 2018.*

**13. ATP forms were not always filled out completely, accurately, or issues were identified regarding the PO numbers referenced on the forms. Consequently, purchases in violation of the County's purchasing procedures were not always properly approved and information reflected on the ATP forms did not always agree with the supporting documentation.**

Of the 80 ATP forms included in testing, the following was noted:

- The ATP form required the approval signatures from the Department Head, Assistant County Administrator, and the Purchasing Director. Three ATP forms, totaling \$96,409.68, did not reflect the required approval signatures.
  - One ATP form for Asphalt Paving Systems (9/27/16) in the amount of \$51,319.05 was not signed by the Assistant County Administrator or Purchasing Director.
  - One ATP form for Lew Electrical Services, LLC (10/11/16) in the amount of \$1,916.45 was not signed by the Purchasing Director.
  - One ATP form for Williams Communications, Inc. (9/26/16) in the amount of \$43,174.18 was not signed by the Purchasing Director.
- Invoice numbers and amounts attached to the ATP forms were not compared to the information reflected on the forms, and different versions of the ATP forms were being used.
  - Duplicate invoice numbers were included on ATP forms, and were not identified by staff throughout the approval process:
    - Invoice #91143 from Pace Analytical was listed on two separate ATP forms. The invoice was only paid once.
    - One ATP form for Pace Analytical listed five duplicate invoice numbers (#1614742, #1615083, #1614477, #1614963, and #1614291). The difference between the ATP amount and invoices attached was \$819.
  - One ATP form for Cablelink Network did not include a line for the invoice amount, and the amount was not reflected on the form. IG verified the invoice amount paid was \$8,179.05.
  - One ATP form for Phelps Dunbar (\$2,676.47) did not reflect the adjustment made on the attached invoice (#998409). The difference between the ATP amount and the invoice was \$70.
  - One ATP form had the wrong amount written. The difference between the ATP amount and the invoice was \$20.
- There were 26 ATP forms that referenced a closed a PO, and 22 exceptions were noted:
  - Three ATP's referenced PO's that were for a different fiscal year than the invoice dates listed on the form.

- One ATP form had an invoice dated (8/1/16) prior to the referenced PO being entered (9/7/16). It appeared the invoice did not have a PO in place, and the ATP reason was not accurate.
  - One ATP form was dated (11/7/16) prior to the PO closed date (11/14/16). This ATP was for two invoices that totaled \$2,126.13 for Concrete Express. The invoices were not received after the PO was closed.
  - Two ATP's referenced a PO that did not have enough money available to cover the invoices. The ATP reason was not accurate.
  - Fifteen ATP forms referenced PO's that were closed at time of conversion (as of 7/31/16). However, either the amount available/canceled when the PO was closed or the date closed was not reflected in Munis. This information was requested from Purchasing, but could not be provided.
- There were 14 ATP forms that referenced a PO because the invoice exceeded the available balance, and 16 exceptions were noted:
    - Two ATP forms for Crockett's Towing referenced the same PO number (#1600766). The invoices were dated (8/17/16 and 8/22/16) prior to the PO being entered (10/14/16). It appeared the invoices did not have a PO in place.
    - Six ATP forms referenced PO's with available balances that did not exceed the invoice amounts. The ATP reason was not valid.
    - Eight ATP forms referenced PO's that were closed at time of conversion (as of 7/31/16), but the amount available/canceled when the PO was closed or the date closed was not reflected in Munis. This information was requested from Purchasing, but was not provided.

**Recommendation:**

- The ATP policy should be reviewed and updated to include specific detail and guidance that reflects all the procedures required to process a purchase in violation of the County's purchasing procedures, including approval signatures.
- The ATP form should be examined to ensure all required fields are included on the form, and that Departments are using the same form for consistency purposes. Consider limiting the number of invoices included on the ATP form.
- Supporting documentation should be carefully reviewed and compared to the information reflected on the ATP form, and verified to ensure the reason is valid.
- Invoice numbers should be double checked to ensure they have not been previously submitted for payment.

**Management Response:**

*A revision to the Purchasing Ordinance is scheduled for Board approval on June 5, 2018 and will include revisions to the unauthorized purchase section. Once the new Ordinance is*

*approved and adopted by the Board, the Purchasing Policies & Procedures Manual will also be updated to reflect all Board approved changes outlined in the Ordinance. The ATP Policy will be clearly outlined in the Purchasing Manual as will be the consequences for any County staff failing to follow the proper purchasing procedures prior to creating a legal obligation to pay public funds.*

**Corrective Action Plan:**

*On May 7, 2018 the Purchasing Department also rolled out the new Unauthorized Purchase Request Form (UPR) to replace the ATP form. The new form requires a more detailed explanation as to the facts surrounding the purchase in question and requires a solution to ensure that the problem is not repeated. In addition, on May 14, 2018, Fiscal Services put a new policy in place that has the Fiscal teams responsible for getting the UPRs into Munis, instead of sending them to Finance, reducing the time it takes a vendor to get paid.*

**Estimated Completion Date:**

*Completed May 14, 2018.*

**14. The ATP Form did not require additional approvals from the County Administrator or BCC for purchases over the threshold limits noted in the Purchasing Ordinance. As a result, the Purchasing Director may have approved ATP's over the established approval limit of \$15,000.**

Of the 80 ATP forms included in the test sample, a total of 29 were over \$15,000, and were approved by the Purchasing Director. Based on the information reflected on the ATP form, it was not determined if there was approval obtained from the County Administrator or BCC. The amounts ranged between \$15,097.27 and \$781,044.19.

**Recommendation:**

- The ATP policy and form should be updated to be in compliance with approval limits reflected in the Purchasing Ordinance.
- Revise the ATP form to include a signature line for the County Administrator and a line to reflect the BCC approval date.

**Management Response:**

*While ATPs are not encouraged as a proper form of payment, they are sometimes a necessary process to allow vendor payment for commodities purchased or service provided.*

*It is Pasco County's position that if a purchase for a commodity and or service has previously been approved according to the threshold requirements outlined in the Purchasing Ordinance (i.e., the Board has previously approved the purchase amount) and the Purchasing Director is merely paying the vendor the amount due and not an additional amount over the amount authorized, the Purchasing Director does have the authority to sign off on those ATPs.*

**Corrective Action Plan:**

*A revision to the Purchasing Ordinance is scheduled for Board approval on June 5, 2018 and will include revisions to the unauthorized purchase section. Once the new Ordinance is approved and adopted by the Board, the Purchasing Policies & Procedures Manual will also be updated to reflect all Board approved changes outlined in the Ordinance. The ATP Policy*

*will be clearly outlined in the Purchasing Manual as will be the consequences for any County staff failing to follow the proper purchasing procedures prior to creating a legal obligation to pay public funds.*

*On May 7, 2018 the Purchasing Department also rolled out the new Unauthorized Purchase Request Form (UPR) to replace the ATP form. The new form requires a more detailed explanation as to the facts surrounding the purchase in question and requires a solution to ensure that the problem is not repeated. In addition, on May 14, 2018, Fiscal Services put a new policy in place that has the Fiscal teams responsible for getting the UPRs into Munis, instead of sending them to Finance, reducing the time it takes a vendor to get paid.*

**Estimated Completion Date:**

*Completed May 14, 2018.*

**15. ATP forms were not always processed timely, and the time delay ranged from 6 to 241 days. Consequently, some payments may not have been in compliance with the Local Government Prompt Payment Act.**

Pursuant to Section 218.74, Florida Statutes, the payment due date for a local governmental entity for the purchase of goods or services other than construction services was 45 days after the date on which a proper invoice was received.

Pursuant to Section 218.735, Florida Statutes, the payment due date for the purchase of construction services was between 20 and 25 days after the date on which a proper invoice was received, depending on approval payment request.

According to purchasing staff, date stamps were used to mark the date departments received invoices from vendors.

ATP forms and/or invoices in violation of the County's purchasing procedures were not always processed timely by the departments or invoices were not received timely from vendors. The time delay to process invoices associated with ATP forms included in the test sample was calculated. A total of 225 invoices associated with the ATP forms included in the test sample were examined. The following was noted:

- Invoices were not always received from vendors in a timely manner.
  - For 43 invoices (20%), the date reflected on the invoice was more than 30 business days prior to the date the department stamped the invoice as received. The time delays ranged from 31 to 203 days.
  - For 3 invoices, the date the departments stamped the invoice as received was prior to the invoice date.
  - 1 invoice was stamped as received 10 days after the date reflected on the ATP form.
- Departments did not always complete the ATP forms in a timely manner.
  - For 80 invoices (36%), the ATP form was dated more than 10 business days after the date the invoice was received. The time delays ranged from 11 to 148 days.

- Departments did not always send the ATP form to Purchasing in a timely manner.
  - For 60 invoices (27%), the ATP form was received more than 10 business days after the date on the ATP form. The time delays ranged from 11 to 232 days.
- Purchasing did not always submit the ATP form to Financial Services in a timely manner.
  - For 5 invoices, the ATP form was not submitted to finance within 10 business days. The time delays ranged from 14 to 27 days.
- The timeliness could not be determined for numerous invoices.
  - For 80 invoices (36%), the date the invoice was received by the corresponding department and/or by purchasing either did not exist or was not legible.

**Recommendation:**

- Update the ATP policy to include appropriate time frames for completing an ATP form and processing an invoice for purchases that were in violation of the County's purchasing procedures to ensure invoices are paid in accordance with Sections 218.73, 218.735, 218.74, Florida Statutes.
- Time frames should be included for each approval level. If an ATP cannot be processed within the established time frames, the reason should be documented and maintained.
- *A Vendor's Guide to Doing Business with Pasco County* should also be updated to include recommended time frames for vendors to submit invoices for payment.

**Management Response:**

*Pasco County cannot control when a vendor submits its invoice. Pursuant to Local Government Prompt Payment Act payment is dependent upon receipt of an acceptable invoice. Errors on the invoice or lack of supporting documentation requires resubmittal by a vendor which may delay payment. Additionally, the County has no control over the review process performed independently by the Clerk's Finance Department when processing an invoice. We can work with our Departments to provide guidance in the form of expected timelines to ensure invoices are submitted, however, some delays are not always avoidable.*

**Corrective Action Plan:**

*As part of the education process, the Purchasing Department will review with Departments the requirements of the Local Government Prompt Payment Act. Additionally, A Vendors Guide to Doing Business with Pasco County was recently updated to include the recommendation to vendors to submit invoices within a reasonable timeframe. Also, the UPR form has been updated and implemented as of May 7, 2018.. Fiscal Teams were informed through written email procedure of the expected timeframes for ATPs, now called Unauthorized Purchase Request Form on May 14, 2018.*

**Estimated Completion Date:**

*Ongoing.*

**16. The annual summary of ATP transactions was not submitted to the County Administrator within the timeframe as outlined in the Purchasing Handbook.**

According to the Purchasing Manual for ATPs (PR389), a summary of all ATP transactions was required to be submitted to the County Administrator at the end of each fiscal year.

On 10/12/17, documentation was requested from Purchasing to verify the County Administrator was notified of the Authority to Pay (ATP) transactions for FY16 and FY17.

- Purchasing did not have documentation that the County Administrator was notified of the ATP's issued during FY16.
- On 3/1/17, the former County Administrator was notified of the ATP transactions for FY17. The previous Purchasing Director stated that the County Administrator would be notified again in October 2017. However, the County Administrator was not notified until 2/7/18. The notification occurred after the IG auditor followed up with Purchasing.

**Recommendation:** Establish written policies and procedures that require the notification to the County Administrator be documented, a due date for notification, and reflect who is responsible to submit the notification to the County Administrator.

**Management Response:**

*The Purchasing Department has keeps a detailed log based on Fiscal Year of all ATPs by Department since 2006. The Department will endeavor to provide the report in a more timely manner going forward.*

**Corrective Action Plan:**

*The ATP policy will be updated to establish clearer written policies and procedures that require the notification to the County Administrator be documented, a due date for notification, and the designee responsible to submit the notification to the County Administrator within 90 days of the end of the fiscal year in the procedure in the Purchasing Manual.*

**Estimated Completion Date:**

*September 30, 2018.*

## Appendix

**Observations:** There were observations noted during the audit process that were outside the scope of the audit, but were important enough to bring to management's attention. Management responses, including corrective action and estimated completion dates, were received from former management for the observations. However, current management retracted the responses, and stated that they do not want to address the observations in this report.

### 1. Two contracts related to the Purchasing Department were not reviewed or renewed since the initial agreement.

During the audit, the following was noted:

- The agreement between Pasco County and BidNet had not been reviewed since the initial agreement was dated 7/14/09. There was no documentation that reflected both parties mutually agreed to renewal after the initial 12 months contract term. Documentation for extending the agreement was requested from Purchasing, but could not be provided.
- There was no evidence that the linking authorization contract, also known as a piggyback contract, between Pasco County and FIA Card Services, N.A., "Bank of America" for the purchasing card program was renewed. On 6/22/10, the BCC approved the Purchasing Department to piggyback a contract awarded by the Hillsborough County Board of County Commissioners on 8/5/09 for the purchasing card program. The linking, piggyback agreement was effective 7/1/10 through 8/6/14. There was no documentation on file that the contract was renewed.

**Recommendation:** Establish procedures to review contracts prior to the renewal to determine that the agreement is still beneficial to the County, and assess whether the agreement should be renewed or sent out for competitive bid. The reviews should be documented and kept on file.

**Management Response:**

**Corrective Action Plan:**

**Estimated Completion Date:**

### 2. Invoices were not always processed in accordance with the BCC closeout schedule.

There were some invoices identified that were received after the fiscal year 2015 deadline, 11/5/15, for processing payment for goods/services received by September 30<sup>th</sup>. As a result, four purchase orders associated with these invoices were re-opened because there were old year invoices that needed to be processed after the year end.

**Recommendation:** Since compliance with agreements, contracts, laws, rules, regulations, policies and procedures is expected, a recommendation was not provided.

**Management Response:**

**Corrective Action Plan:**

**Estimated Completion Date:**

**3. A total of 2,093 (3%) invoices paid during the audit period that totaled \$9,262,316.59 were dated between 5/18/00 and 8/31/15.**

Of the 76,988 invoices paid during the audit period (10/1/15-12/31/16), a total of 2,093 (3%) were dated between 5/18/00 and 8/31/15. These invoices totaled \$9,262,316.59. This amount included 190 (9%) transactions to Bank of America, NA for p-card purchases.

- The former Purchasing Director stated there were several years (dating back to 2004) where reconciliations were not performed and outstanding balances still existed for old purchasing card transactions.

**Recommendation:** Since compliance with agreements, contracts, laws, rules, regulations, policies and procedures is expected, a recommendation was not provided.

**Management Response:**

**Corrective Action Plan:**

**Estimated Completion Date:**