April 30, 2019

Talisa Clark, Chief Procurement Officer
DeKalb County Purchasing & Contracting Department
1300 Commerce Drive, 2nd Floor
Decatur, GA 30030

RE: <u>Emergency Purchases Report Number 2017-006-PC, Purchasing & Contracting</u>
<u>Department - Audit Follow-up Report</u>

Dear Chief Procurement Officer Clark:

As required by DeKalb County, Georgia – Code of Ordinances / Organizational Act
Section10A- Independent Internal Audit (I), attached is the Office of Independent
Internal Audit's review on the status of actions taken by your office concerning the
recommendations contained in the audit report referenced above.

Please contact me if you require additional information.

Sincerely,

John L. Greene, CIA, CIG, CGAP, CGFM
Chief Audit Executive

Attachment

cc.   Michael L. Thurmond, Chief Executive Officer
       Nancy Jester, Board of Commissioners District 1
       Jeff Rader, Board of Commissioners District 2
       Larry Johnson, Board of Commissioners District 3
       Steve Bradshaw, Board of Commissioners District 4
       Mereda Davis Johnson, Board of Commissioners District 5
       Kathie Gannon, Board of Commissioners District 6
       Lorraine Cochran-Johnson, Board of Commissioners District 7
       La'Keitha D. Carlos, CEO's Chief of Staff
       Antwyn Brown, Board of Commissioners Chief of Staff
       Zachary L. Williams, Chief Operating Officer
       John Matelski, Director of Innovation and Technology
       Harold Smith, Chairperson, Audit Oversight Committee

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Harmel Codi, Vice Chairperson, Audit Oversight Committee
Adrienne T. McMillion, Audit & Oversight Committee
Claire Cousins, Audit & Oversight Committee
Gena Major, Audit Oversight Committee

**STATUS REPORT ON RECOMMENDATIONS TO AUDIT FINDINGS
FOR
EMERGENCY PURCHASES AUDIT REPORT NUMBER 2017-006-PC
PURCHASING AND CONTRACTING DEPARTMENT
APRIL 2019**

The purpose of this follow-up is to report on the status of actions taken by the Purchasing and Contracting Department (P&C) in response to recommendations made by the Office of Independent Internal Audit in the Emergency Purchases (EP) Audit Report Number 2017-006-PC.

Finding No. 1: Use of Emergency Purchases as an Alternative for Lack of Planning and Risk Management

Recommendation:
We recommend the P&Cs Policy and Procedures should:

- Emphasize that inadequate planning is no justification for utilization of EPs
- Provide detail description or illustrations of qualifying EPs
- P&C Management should obtain the approval of senior management prior to approving EPs that are not within the requirements of the policy and procedures, due to inadequate planning

In addition, senior management should encourage County departments or agencies to develop strategic plans to perform routine maintenance on facilities to reduce emergency conditions.

Management Response:
P&C will propose adding language to the Purchasing Policy to emphasize that inadequate planning is not justification for utilization of EPs. Additionally, P&C will continue to work with departments to ensure there is sufficient availability of on-call vendors should an emergency arise. P&C will continue to train County employees in the components of effective procurement methods through its multiple classes, workshops, and educational seminars.

Management Response to the Status of the Recommendation for Finding No. 1:
All items discussed in response are continuous.

Conclusion:
P&C management provided an excerpt from the draft procurement procedure that states, "Lack of advance planning, or insufficient funds due to budgeting constraint may not be a sufficient justification for classifying a needed procurement action as urgent or compelling". According to P&C management, after the Chief Executive Officer approves the procurement procedure, the Standard Operating Procedures (SOP) shall be updated and fully implemented.

In addition, P&C management stated that the P&C has sufficient on-call vendors.

P&C management plans to fully implement the recommendation by May 31, 2019.

Finding No. 2: **Emergency Purchases Were not Ratified by the BOC**

Recommendation:
The Chief Procurement Officer (CPO) should ensure all EPs that exceed $100,000 are presented to the BOC for ratification, and should maintain appropriate documentation to verify approval. In addition, the CPO should establish automated controls to track and report EPs with such attributes. Tracking and reporting of such EPs within Oracle (Advanced Procurement Systems 'APS') may be preferable to reduce the risk of human error and to increase efficiency.

Management Response:
P&C agrees that all EPs that exceed $100,000 should be presented to the Board of Commissioners (BOC) for ratification. The two EP identified during the audit were for emergency bridge repairs in April 2016, which were completed in 2016. Future procurements of this nature will be presented to the BOC for ratification to ensure proper approval and expense recognition.

As of 2017, purchasing staff has been instructed to prepare all EP ratification agenda items within the Legistar agenda software package and submit it with the emergency request documentation for CPO approval. In addition, staff has been instructed to select the emergency option in the drop-down flex field within Oracle when processing EPs. This will allow for proper tracking and reporting of emergency purchases.

The purchasing procedures manual will be updated to include this process within the next 30 days.

Management's Response to the Status of the Recommendation for Finding No. 2:
P&C staff has been informed to select the Emergency Purchase flex field when creating emergency POs, which will be included in pending procedural manual updates. This information will also be included in the iProcurement Training presentation for the monthly meetings and required for new Oracle users. The iProcurement presentation has been uploaded to the intranet for current staff as a reference for purchasing processes. In addition, P&C has taken several internal steps to monitor Emergency Purchases within our internal operating procedures. The Special Projects Team has been tasked with establishing an Emergency Purchase Log on our SharePoint portal, which will be completed no later than October 31, 2018, to be updated by managers upon receipt of emergency purchase requests. The Special Projects team will utilize this report to complete monthly audits to ensure that all recorded items have been submitted for necessary actions.

Conclusion:
A flex field has been created in the Oracle Financial Management Information Systems (FMIS) for preparing EPs' agreements to identify all EPs. To track EPs over $100,000 within Oracle and ensure that they are presented to the BOC for ratification, P&C

management has communicated that the monthly EP reports would be prepared by the Deputy Director. The Department of Innovation and Technology (DoIT) personnel verified that P&C did not use the drop-down flex field to process EPs. Therefore, DoIT was unable to produce a report of EPs from Oracle to verify the accuracy and reliability of the report we received from the P&C. P&C will work with DoIT personnel to ensure staff is utilizing the proper fields.

According to P&C management, after the Chief Executive Officer approves the procurement procedure, the SOP shall be updated and fully implemented.

P&C management plans to fully implement the recommendation by May 31, 2019.

Finding No. 3: Improvement in the Approval Process of the Non-Competitive Purchase Request Form

Recommendation:
The CPO should ensure that all P&C staff and managers consistently follow P&C's Policy and Procedures as it relates to review and approval of the Non-Competitive Purchase Request (NCPR) forms. P&C should consider the use of electronic signatures for the NCPR forms.

Management Response:
P&C has made improvements to the approval process of the non-competitive purchase requisition in September 2017 as indicated in the departmental procedures, and will contact the Department of Innovation Technology to advise us on the feasibility of electronic signature capabilities to the NCPR form. Staff has been notified that deviations from the Purchasing Policy and Procedures are not acceptable.

The purchasing procedures manual will be updated to include this process within the next 30 days.

Management's Response to the Status of the Recommendation for Finding No. 3:
These are relative to the current updates being made to our procedures manual to ensure that all policy requirements are in line with procedural steps.

Conclusion
P&C management has fully implemented the recommendation.

Finding No. 4: Lack of Accurate Reporting of Emergency Purchases

Recommendation:
P&C should develop and implement an automated process for tracking and reporting all EPs through the Advance Procurement Suites system to identify procurements by type.

Management Response:
P&C made improvements to ensure adequate reporting of emergency purchases. The existing Oracle system allows for the emergency selection option when creating the Purchase Order (PO).

Staff has been instructed to select the emergency option in the drop-down flex field within Oracle when processing EPs. This will allow for tracking and reporting of emergency purchases.

The purchasing procedures manual will be updated to include this process within the next 30 days.

Management's Response to the Status of the Recommendation for Finding No. 4:
These are relative to the current updates being made to our procedures manual to ensure that all policy requirements are in line with procedural steps.

Conclusion:
P&C management has fully implemented the recommendation.

Finding No. 5: **Lack of Compensating Controls When Segregation of Duties Are Inadequate**

Recommendation:
For instances where the approval process is not adequately segregated, the CPO should develop and implement compensating controls to ensure risks are reduced to appropriate level. The compensating controls can include a high-level review of transactions completed by the Procurement Manager that were not adequately segregated.

Management Response:
P&C made improvements to ensure that compensating controls are in place when segregation of duties is assigned. The CPO has instructed managers who are temporarily delegated CPO signature authority to obtain another manager's review and signature approval for their team's work submissions.

The purchasing procedures manual will be updated to include this process within the next 30 days.

Management's Response to the Status of the Recommendation for Finding No. 5:

To ensure that signature authority is established when assigned, an email from the CPO is delivered to management identifying the assigned duty. In cases where the assigned signature authority requires signature for their work, they are to direct those requests to the non-procurement affiliated Deputy Director of Purchasing Operations, a position recently established.

Conclusion:
P&C management has communicated that it has implemented changes in the approval process of the NCPR form for EPs, which included delegating the signature authority to

the newly created Deputy Director position alone and not the team managers. We did not review documentation to confirm delegation of authority to the Deputy Director of Purchasing Operations.

According to P&C management, after the Chief Executive Officer approves the procurement procedure, the SOP shall be updated and fully implemented.

P&C management plans to fully implement the recommendation by May 31, 2019.

Finding No. 6: **Ineffective Procedures to Communicate Contract Information Prior to Expiration**

Recommendation:
The CPO should implement a formal communication process and include in the P&C's Procedures Manual a process for communicating upcoming expiring contracts or contract expenditures that are greater or equal to 85% of contract amount to departments and/or agencies. The formal communication process should include a standard form or template that conveys pertinent contract information to all departments/agencies. Additionally, the procedures should outline the responsible personnel within the user departments or agencies who shall receive the notification.

Once the communication procedures have been implemented, management should periodically evaluate the department's methods of communication so that appropriate tools are utilized to communicate key information throughout the County on a timely basis.

Management Response:
P&C has several communication methods established when communicating upcoming expiring contracts and will include these methods in the purchasing procedures manual.

Currently, P&C communicate upcoming expiring contracts to the County clients six months prior to expiration, and will consider implementing additional measures to improve countywide notification and follow-through effectiveness.

The purchasing procedures manual will be updated to include this process within the next 30 days.

Management's Response to the Status of the Recommendation for Finding No. 6:

Contract information is still communicated to involved parties through several methods, which include training and monthly meetings. In addition, all active contracts' information is posted to our intranet site as well as the County's internet website. The information provided in the contracts report includes Contract No, User Dept., Approval Date, Expiration Date, and Approved Amount. The report is posted on the 15th of each month and is also reviewed by our Special Projects Team to include any missing data and forwarded to procurement managers for update.

Conclusion:
P&C management has made progress towards communicating to the user departments with the expiring contracts or contract expenditures that are greater or equal to 85% of contract amount through monthly meeting/training. P&C will work with the Department of Innovation and Technology personnel to implement automatic notifications to department heads and their deputies of expiring contracts or contract expenditures that are greater or equal to 85% of contract amount.

According to P&C management, after the Chief Executive Officer approves the procurement procedure, the SOP shall be updated and fully implemented. P&C management plans to implement the recommendation by May 31, 2019.

Finding No. 7: Inconsistency Between the Policy and Procedures Manual

Recommendation:
We recommend that P&C reconcile the language between the Purchasing Policy and the Procedures Manual to ensure that P&C activities are consistent.

Management has said that the development and deployment of the SOP shall depend on the content of the Procurement Procedures approved by the Chief Executive Officer.

Management Response:
P&C is in the process of addressing inconsistency between the policy and procedures manual through the development of a purchasing ordinance.

Management's Response to the Status of the Recommendation for Finding No. 7:
The Purchasing Department has hired an external consultant to complete review and update of current procedures, in which will be finalized by October 31 and presented to the Chief Executive Officer for approval.

Conclusion:
Currently, the Procurement Policy states that EPs greater than $100,000 shall be presented to the BOC for ratification; however, the P&C's Operation Manual states that the benchmark is $100,000 and above of EPs. P&C management stated that the Operating Manual would be revised when the CEO approves the Procurement Procedures.

P&C management plans to fully implement the recommendation by May 31, 2019.