

August 7, 2019

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

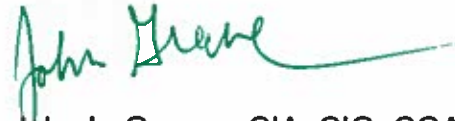
RE: Informal and Formal Procurement Audit Report Number 2017-007-PC, Purchasing & Contracting Department - Audit Follow-up Report

Dear Chief Procurement Officer Clark:

As required by DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- 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, 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

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
INFORMAL AND FORMAL PROCUREMENT AUDIT REPORT NUMBER 2017-007-PC
PURCHASING AND CONTRACTING DEPARTMENT
August 2019**

The purpose of this follow-up is to report on the status of actions taken by the Purchasing and Contracting Department in response to recommendations made by the Office of Independent Internal Audit in the Informal and Formal Procurement Audit Report Number 2017-007-PC.

Finding No. 1: Inadequate Quotes

Recommendation:

We recommend that Purchasing and Contracting (P&C) should:

- 1) Ensure thorough review of quotes and support submitted by the user departments (UDs).
- 2) Conduct follow-up with the user departments regarding explanation of missing quotes.
- 3) Require the user departments to submit explanations when the quotes cannot be obtained.
- 4) Conduct periodic review/audits of user department activities.
- 5) Review support of P&C procurement agents that are performing informal purchasing duties.

Management Response:

Ten (10) out of seventeen (17) purchase orders identified in the Auditor's sample listed on page 6 of the audit were processed prior to the appointment of the current Chief Procurement Officer (CPO) in December 2015.

The 2014 Purchasing Policy states that three (3) telephone quotations are required for purchases where cost is \$5,000.00 or greater but less than \$25,000.00. Each Department Director shall keep written documentation of applicable phone quotations and receipts for each purchase in separate files for auditing purposes, and copies of all such documentations shall be forwarded to the Purchasing and Contracting Department annually before January 10 for each prior calendar year. The 2014 Purchasing Policy states that purchasing staff shall obtain commodities and services competitively through written quotations where cost is \$25,000.00 to \$50,000.00. A minimum of five (5) written quotations are required unless adequate source supply is not available.

The current CPO has identified and implemented, enhanced, executed, and enforced policies and procedures to eliminate these types of deficiencies.

In 2017, P&C conducted annual audits for purchases where cost is \$5,000.00 or greater but less than \$25,000.00 for various randomly selected user departments to ensure that supporting documentation and quotes were obtained. Any findings of non-compliance was

communicated to the user department Director and recommended training be provided to the departments' staff.

Procurement Managers (PM) are required to review purchasing staff work to ensure that policy and procedures are followed and manage/train staff when necessary. Purchasing staff has been instructed to attach all received quotes to the Oracle system, conduct market surveys when less than five (5) quotes are received and maintain the documentation in the central electronic y-drive file.

Management's Response to the Status of the Recommendation for Finding No. 1:

P&C management has communicated that PMs review and approve staff procurements prior to processing a purchase order (PO) or Contact Purchase Agreement (CPA), to ensure the minimum quotes were received. If PMs discover that procurement agents are not following procedures, they will retrain agents and conduct progressive disciplinary actions for repeat offenders.

Additionally, P&C management conduct annual audits of approximately 6 – 10 UD's (2-3 UD's per procurement team). PMs communicate the results of these annual audits with the UD's during monthly meetings and reiterates the importance of obtaining, attaching, and maintaining the minimum quotes for requisitions during monthly meetings with UD's. Additional training is provided by the PMs with UD's as needed.

Completed - audits, training, etc. is ongoing.

Conclusion:

We reviewed a random sample of ten PO's from \$5,001 - \$25,000 for the period of April 15, 2018 to December 31, 2018 and concluded that P&C management has made significant progress in providing effective communication and training to UD's on the importance of obtaining three quotes required for informal procurements.

In addition, we evaluated a random sample of fifteen PO's from \$25,001 - \$50,001 for the period of April 15, 2018 to December 31, 2018 and concluded that P&C management has made major strides in implementing this recommendation. Fourteen out of the fifteen had the required quotes or supporting documentation attached in Oracle. We found only one PO did not have the five required quotes or the corresponding market survey attached in Oracle.

We were able to obtain documents for one annual audit/review performed on the Department of Watershed Management (DWM) for the year 2017 and concluded that P&C management was making progress implementing this recommendation. There was no documentation available to determine if the annual audit/reviews are consistently performed and if follow up is performed in a timely manner.

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

Finding No. 2: Inconsistent Policies and Procedures

Recommendation:

We recommend that P&C reconcile the language between the Purchasing Policy and the Procedures Manual to be consistent.

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. 2:

The Procedures Manual is currently being updated and will be consistent with the County's Purchasing Policy currently under review. The revised procedures manual will be provided to staff upon the Chief Executive Officer's (CEO) review and approval of the Purchasing Policy anticipated in 1st quarter of 2019.

Conclusion:

Currently, the Procurement Policy states that "three telephone quotations are required for purchases where cost is \$5,000.00 or greater but less than \$25,000.00"; however, the Procedures Manual states that three written quotes must be obtained for quotes from \$5,001-\$25,000. P&C management communicated that once the CEO approves the Procedures Manual, it would be updated to be consistent with the Purchasing Policy.

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

Finding No. 3: Inappropriate Application of Exemptions and Vendor Performance on Expired Contracts

Recommendation:

We recommend that the CPO should:

- Ensure accurate and consistent application of the exemption policy.
- Provide training and communication updates of the exemption policy to user departments and P&C staff.
- Ensure that contracts are monitored to avoid vendor performing past expiration date.
- Ensure that all contracts extensions have the proper Board of Commissioners (BOC) approval.
- Ensure that vendors do not provide further services to the County after contracts have expired.

Management Response:

The auditor's example noted in finding #3 was completed by the user department in August 2014 prior to the implementation of the current Purchasing Policy and Procedures manual.

Since this time, the current CPO has made improvements to ensure the following:

1. Accurate and consistent application of the exemption policy through the elimination of the requisitioning of Financial Payment Requests (FPRs).
2. Provides training and communication updates to user departments and P&C staff regarding procurement policies and procedures.
3. Monthly monitoring of contracts to avoid vendors performing past contract expiration.
4. All contract extensions are presented to the BOC for approval.

5. All contracts are proactively renewed and/or rebid through the competitive procurement process.

P&C conducts monthly Oracle iProcurement training, Visual Information about Procurements (VIP) workshops and provides online instructional videos on various Oracle and procurement processes that are accessible to all County departments and staff.

Management's Response to the Status of the Recommendation for Finding No. 3:

P&C management has successfully eliminated the requisitioning of FPRs to ensure accurate application of the exemption policy. In addition, policy and procedure updates are communicated to UD and P&C staff via multiple outlets, such as email distribution, staff meetings, UD monthly meetings with assigned Procurement Team, training materials, and updates posted to the P&C intranet website.

P&C management provided an example of the report generated by the Department of Innovation and Technology (DoIT), which is distributed to PMs at six months prior to the expiration date and 85% of the contract value. During monthly meetings, PMs notify user departments on this report and discuss how the user department will like to proceed on renewal, extension, and/or put the contract up for rebid.

Completed - contract reviews, training, etc. is ongoing.

Conclusion:

We reviewed the "Contracts Agreements About to Expire" report generated by DoIT, that is distributed by workflow to the "Requisition Preparer" mail list, which includes Directors and administrative assistants, and concluded that as of May 17, 2019 P&C management has successfully worked with DoIT to implement automatic notifications to Directors and administrative assistants about expiring contracts. Similarly, we reviewed the "Contract Release >= 85% of Contract Amount" report generated by DoIT, that is distributed by workflow to the "Requisition Preparer" mail list. We concluded that P&C management has made progress towards working with DoIT to automate notifications to Directors and administrative assistants about contract expenditures that are greater or equal to 85% of the contract amount.

P&C management explained that contract extensions are not common and P&C procedures do not include steps to track contract extensions separately. In addition, any revisions to contracts are recorded as change orders (CO) and tracked in Oracle in the "Revision History." P&C management should work with DoIT personnel to update the "Revision History" report or any other applicable report that will clearly change details to the CPA.

We noticed some inconsistencies between the CPA information in Oracle and the BOC approval of the CPA information. P&C management should ensure that CPA changes in Oracle are updated and consistent with BOC approval in Legistar.

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