



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

**DEPARTMENTAL PURCHASE ORDERS
FOLLOW-UP**

REPORT # 249

JULY 31, 2013

July 31, 2013

The Honorable Ken Hagan, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller, Jr.
The Honorable Sandra L. Murman
The Honorable Mark Sharpe

Dear Chairman Hagan and Commissioners:

County Audit performed a follow-up of the Department Purchase Orders, Audit Report #225, dated November 9, 2011. Based on discussions with management, the Audit Team is closing all three of the original audit concerns. Management indicated that these original concerns are no longer valid due to the implementation of a new ERP system. The report on the follow-up audit is enclosed.

County Audit appreciates the cooperation and professional courtesies extended to the Audit Team by the personnel of the Business and Support Services during this follow-up audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director, County Audit

cc: Mike Merrill, County Administrator
Lucia Garsys, Deputy County Administrator, Infrastructure & Development Services
Helene Marks, Chief Administrative Officer
Sharon Subadan, Deputy County Administrator, Public Safety & Community Services
Bonnie Wise, Chief Financial Administrator
Tom Fesler, Director, Business & Support Services (Procurement)
John Hollingshead, Division Director, Business & Support Services (Procurement)
Bruce Dangremond, Manager, Performance Mgmt., Business and Support Services

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION:

The primary objective of the original audit was to examine and evaluate the adequacy and effectiveness of the internal controls and procedures over the issuance and utilization of Department Purchase Orders (DPOs) for small departmental purchases not exceeding \$10,000. The use of department-generated purchase orders will cease with the implementation of the new Enterprise Resource Planning (ERP) system.

The new ERP system will require that every purchase order is centrally procured by a professional buyer in the Procurement Division of the Business and Support Services Department. The professional buyer will identify at least three sources for the needed item or service and route the information back to the department and complete the transaction under the guidance of the County's policies and procedures.

OBJECTIVE:

The objective of this follow-up audit was to review and evaluate the conditions reported in County Audit Report # 225 dated November 9, 2011, to determine if corrective actions have occurred and are effective, and if the corrective actions appear to be continuous and/or correction will be monitored to ensure the control weakness will not be repeated.

SCOPE:

The follow-up was based on the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors.

OVERALL EVALUATION:

Per management, the Departmental Purchase Orders will be eliminated when the new ERP system is implemented because every purchase will be centrally procured by a professional buyer in Procurement. An audit will be conducted after the new ERP system has been implemented.

AUDITED BY:

Peggy Caskey, Director, County Audit
Mark Kolman, Audit Manager
Brenda Tyler, Auditor

STATUS OF ORIGINAL AUDIT CONCERNS

This chart provides the status of the original report concerns at the completion of the follow-up audit.

For reference purposes, the entire original audit report #225 (issued Fiscal Year 2012, 11/09/2011) can be viewed on the Clerk's web site at <http://www.hillsclerk.com> under Clerk Services, County Audit – Recent Reports.

FINDING	DESCRIPTION	STATUS	MANAGEMENT RESPONSE VERBATIM
1 (letters a. through m.)	Procurement's procedures need to be updated to further clarify the related activities and responsibilities for departments using DPOs.	CLOSED	The County's DPO Procedures defined in the County's Procurement Manual will be eliminated due to the Enterprise Resource Planning (ERP) System Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational. Departments will no longer have the authority to create any type of purchase orders after that date.
a)	The combined value of DPOs that can be issued by a department over a defined period of time.	CLOSED	The ERP System, Wave 1 Implementation is scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational. Departments will no longer have the authority to create any type of purchase orders after that date.
b)	The definition of "total value."	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.

c)	Consideration to be given to minority businesses when using DPOs.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
d)	Guidance for monitoring DPO use.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
e)	System-generated report for monitoring quotes.	CLOSED	The ERP System, Wave 4 Implementation is scheduled for December 1, 2013, or the date the Oracle E-business Suite financial modules become operational. The system should have the capability to create system generated reports.
f)	Use of State contracts when making DPO purchases.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
g)	Obtaining approval for alternate uses of DPOs.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.

h)	Obtaining Interlocal Agreements.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
i)	The definition of "split purchases."	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
j)	Documentation requirements for the effect of change orders.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
k)	Documentation of DPO activity.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
l)	Training on how to use DPOs in accordance with County requirements.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.

m)	Additional Blanket Purchase Orders (BPOs) guidance.	CLOSED	The ERP System, Wave 1 Implementation is scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational. Departments will no longer have the authority to create any type of purchase orders after that date.
Finding 2	Procurement's DPO activity monitoring processes need to be updated.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.
Observation 1	The County should formally document its periodic review of the current use, the future viability, and the cost effectiveness of its various procurement options.	CLOSED	The County's Procurement Manual regarding DPOs will be deleted based on Wave 1 Implementation scheduled for July 1, 2013, or the date the Oracle E-business Suite financial modules become operational.

NOTE: An Open Audit Comment is defined as a control weakness for which management has not yet implemented corrective action that will alleviate the original concern, and a Closed Audit Comment is a control weakness for which management's corrective action has alleviated the original concern.

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