



Office of the City Auditor and Clerk

Sole Source Purchases

Executive Summary Report

Audit # 10-06

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EXECUTIVE SUMMARY

Sole Source Purchases

AUDIT PURPOSE

The purpose of this audit was to ensure that sole source purchase requests were adequately justified and appropriately reviewed and approved prior to the City obtaining any good(s) and/or service(s) and issuing payment. This audit was not originally included on the 2009-2011 Audit Schedule. Since this area has not been audited before, nor was it included in the 2009 City-wide Risk Assessment, Internal Audit determined that this audit should be conducted as part of the unallocated schedule time.

AUDIT SCOPE

The audit covered the period from January 1, 2008 through September 30, 2009.

REPORT CONTENT AND LIMITATION OF USE

This executive summary report is limited in detail. In order to obtain the full background on a particular item, please refer to the detailed audit report or contact Internal Audit prior to drawing conclusions based on the limited information contained in this report. Objective ratings indicate the levels at which the objectives were met; rating definitions are included in the appendix (page 4).

OVERALL CONCLUSION

The results of the audit indicate

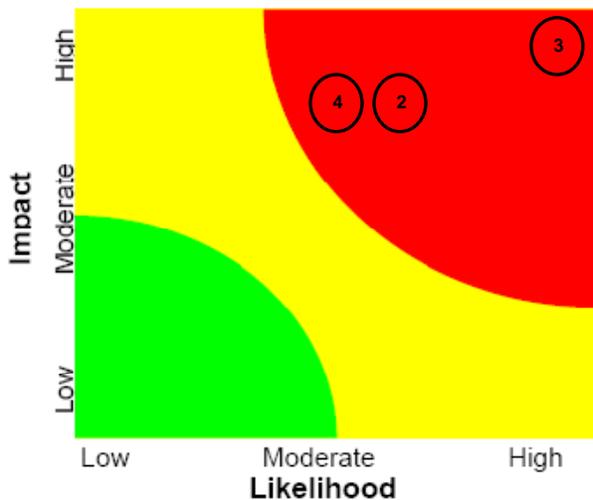
OPPORTUNITIES FOR IMPROVEMENT

This internal audit focused on the following objectives:

Audit Objectives	Objective Ratings		
1. Determine whether sole source designations were supported by adequate justification documentation and support; and		X	
2. Determine whether sole source designations were properly reviewed and approved by the appropriate officials prior to obtaining or paying for any service.		X	

Significant audit observations are listed below. For a complete list of audit items, see page 3 of this report.

Risk Exposure Map



Significant Issues	
Observation	Priority
2. The auditor reviewed 38 valid sole source requests and noted four requests that were incomplete or inadequate in relation to the requirements noted by the Purchasing Manager. All four of these requests were approved, as were nine other requests that did not contain the signatures of the respective department directors.	High
3. Of 28 sole source requests with purchasing activity, 15 requests had purchase orders that were approved by a Purchasing Division staff member other than the Purchasing Manager from January 14, 2008 to March 9, 2009. The auditor was unable to obtain written evidence that staff members were appropriately delegated the responsibility of approving purchase orders	High
4. Two sole source requests had associated purchase orders which were approved and payment issued without documented evidence of the City Manager's approval; another one request had an associated purchase order approved prior to obtaining the Purchasing Manager's approval.	High

Sole Source Purchases Observations and Recommendations

Management Action Plans					
Audit Recommendation	Priority	Concur	Do not concur	Proposed Management Action	Action Item Due Date
Management took action to address audit item #1 prior to the release of this report.					
2. To ensure appropriateness and proper authorization of each sole source request, requests submitted with missing or inadequate information should not be approved by the Purchasing Manager until all necessary information and signatures have been received.	High	X		All required information is being incorporated into a single/sole source request form to ensure all proper information is obtained prior to approval.	12/31/09
3. To ensure compliance with City rules and regulations, pursuant to Administration Regulation No. 024.A007.0195, ensure that any delegation of the Purchasing Manager's responsibilities to staff members includes approval by the City Manager.	High	X		Currently the delegation of authority for approving in the absence of the Purchasing Manager is in the job description of the Senior Procurement Specialist. A memo will be sent to the City Manager for approval of the delegation of authority.	1/8/10
4. To ensure compliance with purchasing regulations and prevent unauthorized purchasing activity, purchase orders should not be approved in FMS and payment not issued until all necessary approvals (Purchasing Manager and City Manager, where required) have been obtained.	High	X		The new single/sole source request form will incorporate all required signatures on the first page and will be scanned into FMS prior to purchase order approval.	12/31/09
Management took action to address audit item #5 prior to the release of this report.					
6. To encourage full compliance with sole source requirements, the Purchasing Manager should provide approvals/ disapprovals for requests only after all steps in the sole source request process have been fully completed.	Medium	X		The new single/sole source request form will require a minimum of seven days for advertising on all sole sources. Staff will post the service or commodity advertisement prior to providing form for Purchasing Manager's signature.	12/31/09

APPENDIX

Audit Rating System

The audit ratings listed below are based on the auditor's assessment of whether the following control objectives have been met:

- Safeguarding of assets,
- Effectiveness and efficiency of operations,
- Reliability of financial and operating information, and
- Compliance with City policies, regulations or rules and/or other governmental laws and regulations.

Red- A red control rating denotes significant business risk or exposure to the City that requires immediate attention and remediation efforts. The controls reviewed do not appear to provide reasonable assurance that the control objectives are being met. The City is being exposed to a high level of business risk and exposure. Management is advised to immediately review the design and effectiveness of existing controls or consider implementing new or additional controls.

Yellow- A yellow control rating denotes opportunities for improvement exist relating to the controls reviewed. If this state of control is not improved, it could lead to a higher than acceptable level of business risk or exposure to the City. The controls reviewed provide some, but not sufficient assurance that control objectives are being met. Management is advised to review the design and effectiveness of existing controls or consider implementing new or additional controls on a priority basis.

Green- A green control rating indicates that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control, where risk appears to be minimized and appropriately managed. Controls reviewed appear to provide a high degree of assurance that control objectives are being met. To maintain this rating management is advised to continue to assess the control systems and monitor existing controls for efficiency and effectiveness as business and organizational changes occur.