



**Internal Audit Committee of
Brevard County, Florida**

**Internal Audit of
Purchasing and Contract Compliance**

**Prepared By:
Internal Auditors of Brevard County
April 30, 2009**

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April 30, 2009

The Audit Committee of
Brevard County, Florida
Viera, Florida 32940-6699

Pursuant to the approved 2008/2009 internal audit plan, we hereby submit our internal audit report covering Purchasing and Contract Compliance. We will be presenting this report to the Audit Committee at the next scheduled meeting on May 13, 2009.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of Purchasing and Contract Compliance.
Background	This provides an overview of Purchasing and Contract Compliance for Brevard County.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues Matrix	This section gives a description of the issues identified and recommended action, as well as management's response.
Process Map	This section provides a process map depicting the flow of the Purchasing and Contract Compliance processes as validated by Purchasing Services.
Risk and Control Matrix	The risk and control matrix is a risk assessment tool that presents a clear picture of the processes, risks, controls, and monitoring methods management uses in ensuring a sound control environment over the purchasing process.

We would like to thank all those involved in assisting the Internal Auditors in connection with our review of Purchasing and Contract Compliance.

Respectfully Submitted,

INTERNAL AUDITORS

Executive Summary

Executive Summary

During the course of our work, we discussed the control design and operating deficiencies with management. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix included in this report. A summary of issues identified and their relative risk rating is provided below.

Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as “High” risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as “Moderate” risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as “Low” risk could escalate into operational issues, but can be addressed through the normal course of conducting business.

Observation Summary	Relative Risk
Purchasing	
<p>1. <u>Centralization of Procurement</u>: Purchasing Services’ goal is the promotion of the best interest of Brevard County through intelligent action and fair dealings, resulting in obtaining maximum savings for the County. Purchasing is a centralized function with except for the departments of the Court Elected Officials and construction. We recommend that the County centralize all procurement functions within Purchasing Services due to the significance of the expenditures. Centralizing all procurement gives the County the ability for the following:</p> <ul style="list-style-type: none"> • Vendor cost reduction; • Ability to better negotiate vendor spend by leveraging other projects and gain economies of scale; • Leverage common/best practices for purchasing to become best in class; • Leverage vendor performance and quality knowledge; and • Maintain transparency and independence. 	High
<p>2. <u>Segregation of Duties and User Access</u>: Appropriate segregation of duties should include separating authorizing, recording, and reconciling functions. These duties are typically owned by different departments. We reviewed the segregation of duties and user access for various purchasing and accounts payable functions and noted gaps. Without proper segregation of duties surrounding purchasing and the vendor masterfile fictitious and/or duplicate vendors could be added into the system, misappropriation of funds and/or other types of irregularities could occur without being detected in a timely manner, if at all.</p>	High
<p>3. <u>Vendor Masterfile</u>: Differing vendor setup and approval processes exist between Purchasing Services and Finance. Neither departments perform due diligence/screening on vendor additions/changes requests to ensure the validity of the vendor. We reviewed the County’s process surrounding setup of new vendors and changes and/or deletions to the vendor masterfiles and noted the following internal control deficiencies:</p> <ul style="list-style-type: none"> • Fictitious or duplicate vendors could be added into the system. • Fraudulent vendors and unidentified/undisclosed related parties could be added into the system without proper approval/verification process. • Vendors may be added who are not licensed and/or a valid business entity. 	Moderate
<p>4. <u>Leverage of Vendor Spend</u>: Achieving savings can come from making use of procurement professionals to manage all of the “spend”, or strategic sourcing, in the County. To achieve additional spend management success, we recommend that Purchasing Services perform a holistic view of County spend, to enable them to strategically source all expenditures. Additional savings will affect the County’s bottom line directly. Purchasing Services should:</p> <ul style="list-style-type: none"> • Identify vendors where additional cost savings could be available based on current knowledge and use. • Work with the departments to Identify commodities/contracts that Purchasing Services is not involved or not fully involved with the procurement process, i.e. construction vendors and contracts, to analyze if expenditures can be additionally optimized commodity/contract for additional cost reduction negotiations. 	Moderate

Executive Summary - continued

Observation Summary	Relative Risk
Purchasing - continued	
<p>5. <u>Transaction Testing</u>: Through our detailed testing, we noted certain departments have designated Administrative Assistants and Administrative Secretaries as their purchase requisition approval designee. We recommend persons with Release Code 02 – Department Director access be limited to appropriate level designees as designated by the Department Heads. The designees should be at a Manager level or above.</p>	Moderate
<p>6. <u>Vendor Performance Evaluations</u>: The purpose of evaluating professionals is to determine whether they are providing satisfactory service to the County. Evaluations are only suggested to be performed for contractors.</p>	Low
<p>7. <u>Streamlining Purchase Requisition Process and Document Management</u>: One of the most protracted and costly processes within any organization is the manual process of purchase documents. Simplifying the document approval process reduces administration costs and errors. Currently, the County does not have the appropriate number of licenses in SAP to allow for all purchase requisitions to be approved in SAP. Purchase requisitions that require Assistant County Manager(s) and Board Approval are manually authorized. We noted automation of the purchasing module is not fully leveraged as the purchase requisition process is not fully automated, including implementation of an electronic document management process of the purchase files and supporting documentation. We recommend that Purchasing Services work with the County's IT department in analyzing the ability to fully utilize SAP for additional automation of the purchasing process, including the ability for document imaging. Another alternative to document imaging is enterprise document management. Purchasing Services should work with IT on analyzing the cost/benefit of implementation and utilization of such system/resource.</p>	Moderate
Contract Compliance	
<p>8. <u>Contract Administration</u>: The responsibility for contract monitoring is "shared" by the Departments and Purchasing Services. We noted that the Departments are not inputting contracts in the Contract Management database completely, nor in a timely manner. We recommend Purchasing Services enhance their current monitoring process to ensure completeness and accuracy of the Contract Management database.</p>	High
<p>9. <u>Contract Compliance Monitoring – Audits</u>: Performing audits of contracts are important tools to ensure that the purpose for the agreement or the performance of the contract actually occurs. We noted that compliance audits are not currently being conducted. We selected a sample of 10 contracts to review for right to audit clauses and noted that 2 contracts were lacking right to audit clauses. For one of the exceptions lacking an audit clause, the contract amount is based upon a percentage of sales.</p>	High
Accounts Payable - Disbursements	
<p>10. <u>Vendor Payments</u>: Timely remittance of vendor payments reduces the County's risk of additional expenditures in the form of interest payments to vendor. We received a download of all disbursements from October 1, 2008 through February 28, 2009, noting 34,969 vendor payments. For all disbursements we calculated number of days from the posting date in SAP to compare the check disbursement date to verify compliance with Administrative Order 33 – Prompt Payment of Invoices and noted 175 of the invoices paid were not paid within 45 days of entry.</p>	Moderate

Background

Background

Overview

The Purchasing Services department is within Brevard County's (the County) Central Service function. As stated in the Purchasing Manual, the purchasing function impacts the County entity-wide. The primary purpose of the function is to manage that appropriate goods and services are obtained at the right time, at the right quantities, at the right prices and within established rules/regulations and policies/procedures to enable the County to operate on a daily basis. The process addresses the proper request and authorization of a purchase, entry of the purchase request into the system, recording the receipt of the purchase once the purchase order has been filled and vendor approval and setup. The function also manages and administers many County contracts.

For purposes of this internal audit we segregated the Purchasing and Contract Compliance management process into the following areas:

Purchasing

The purchasing function involves the procurement of materials, supplies, equipment, and services at the lowest possible cost, consistent with the quality needed to meet the required standards established and approved by the Board of County Commissioners. Their goal is the promotion of the best interest of Brevard County through intelligent action and fair dealings, resulting in obtaining maximum savings for the County. Such goals are not limited to those actions requiring competitive action, but include those small purchases that can be simplified and performed more cost effectively through knowledgeable and sound decisions utilizing current market information and innovative buying methods, matched with meeting the County's requirements.

Rules and regulations are necessary for the proper operation of the purchasing function and it is essential all are involved in the purchasing operation are well informed. This manual was developed to aid all employees directly or indirectly associated with the function of purchasing to facilitate the effective, efficient and cost effective completion of their activities.

The purchasing function's objectives are as follows:

1. To deal fairly and equitably with all vendors wishing to do business with Brevard County.
2. Provide professional procurement services for all our customers within the County.
3. Assure adherence to all laws, regulations, and administrative orders related to County procurement.
4. Maximize competition for all procurements of the County.
5. Obtain maximum savings through innovative buying and application of value analysis techniques.
6. Purchase goods and services at the lowest price, consistent with quality performance, and delivery requirements from capable vendors meeting the County's requirements.

Contract Compliance

Administrative Order – 29 (AO-29) Contract Administration mandates Contract Administration with the purpose as follows:

- To ensure compliance with County contractual obligations and minimize the County's risk in fulfilling these obligations.
- To establish responsibilities for the initiation, processing, execution, management and monitoring of contracts and agreements entered into or authorized by the Board of County Commissioners.
- To establish a data system for monitoring certain pre-determined contractual action dates in order to provide proper contract control.

Background - continued

Contract Compliance - continued

The Central Services has been tasked with the "Contract Management" function as it relates to AO-29. Contract Management entails the follow:

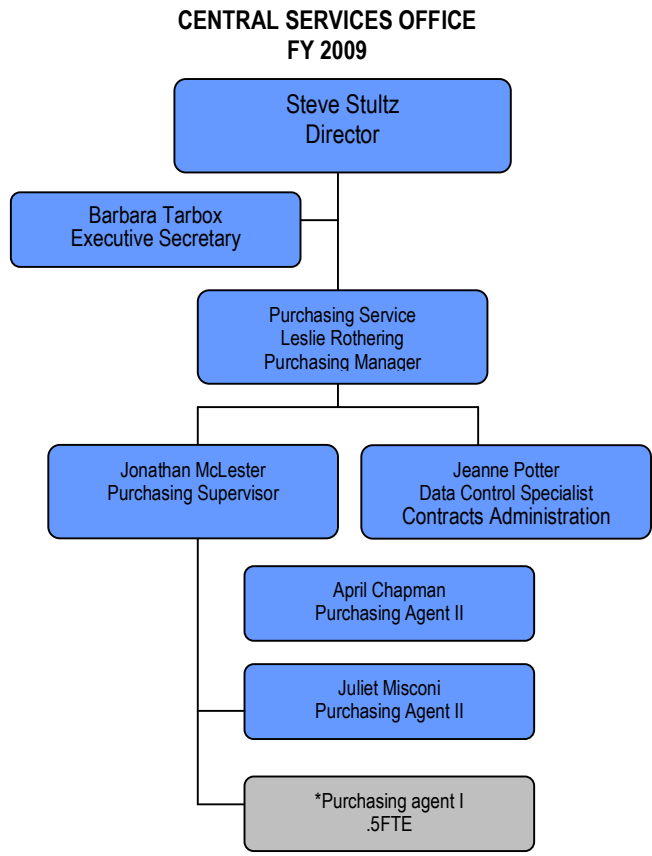
- Provide and monitor a centralized filing location for contract documents.
- Perform random audits of contract files to insure contractual action dates are maintained, minimizing risk to the County.
- Notify department/Office Director or designee of the expiration or inadequacy of bond(s) or insurance, and request that the User Agency obtain these required coverage(s).
- Notify Department/Office Director or designee that no contract activities should commence or continue until all contract requirements, including insurance and bonding are in compliance.
- Coordinate with User Agency to complete "Initial Contract Form" (Exhibit I) for new contracts.
- Provide access for designated user agency staff to input/update data into the on-line Contract Monitoring database program, for:
 - additions to initial contract data
 - other changes/additions during contract term
 - extensions or renewals of contract term
 - bond or insurance renewals
- Review all monthly reports and follow up actions required, such as renewal of insurance.
- Notify Office of Primary Responsibility ("OPR") of inability to correct contract deficiencies.
- Act as the central recorder for the contract information.
- Aid User agencies, as requested, in contract development.

Statistical Data 2008 Fiscal Year

Description	
Approximate number of purchase requisitions issued	6,340
Dollar value of purchase requisitions issued	\$220,652,267
Approximate number of purchase orders issued	5,775
Dollar value of purchase orders issued	\$250,782,487
Active contracts as of 9/30/08	1,640
Dollar value of active contracts as of 9/30/08	\$326,442,079
Active contracts as of 3/31/09	1,763
Dollar value of active contracts as of 3/31/09	\$340,993,656

Background - continued

Purchasing Organizational Structure



* This position was eliminated in FY 2008 due to budget cuts.

The following is a comparison of the County's FY 2009 staffing ratios as compared to other County's.

	Brevard	Polk	Seminole	Lee
FTEs	7	13	13	8
Program Budget	\$359,061	\$913,016	\$1,213,224	\$834,290
Total County Budget	\$1,095,718,332	\$1,723,830,226	\$987,047,395	\$2,322,801,709

Objectives and Approach

Objectives and Approach

Objectives

Objectives of the internal audit review of Purchasing and Contract Compliance include the following:

- Determine compliance with applicable Florida Statutes, and County Bylaws & Policies.
- Evaluate whether there are adequate records and documentation for competitive bid contracts to establish an audit trail and that policies and procedures are appropriately followed.
- Evaluate if there are adequate controls to prevent/detect duplicate/fictitious vendors.
- Evaluate if there are adequate controls to prevent /detect related party transactions.
- Evaluate access controls and segregation of duties within the purchasing function.
- Review the adequacy and effectiveness of controls over contract monitoring and compliance.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process (Phase 1)

During phase 1, we interviewed the Central Services Office Director, Purchasing and Contract Compliance Administrator and other personnel in Central Services and Finance to discuss the scope and objectives of the audit work and obtain preliminary data. We reviewed Florida Statutes, administrative orders, County policies and other resources related to Purchasing and Contract Compliance.

Detailed Testing (Phase 2)

We conducted the following procedures to meet our audit objectives outlined above:

- We ran computer assisted audit techniques to perform the following:
 - Reviewed vendor master listing to active employee listing
 - Reviewed vendor master listing for sequence and duplicate:
 - Names
 - Addresses
 - Phone numbers
 - Tax identification numbers
 - Reviewed purchase order listing for sequence, duplicated and dated purchase orders
 - Reviewed disbursements to calculate days paid
 - Reviewed the accounts payable aging to review for vendors with debit balances
- We reviewed segregation of duties over user access within SAP's purchasing features.
- We selected a sample of purchase orders (POs) and traced to the purchase requisition and request for quote documentation to verify that the proper procedures were performed.
- We traced the data to source documents to ensure the validity of the purchase orders.
- We tested automated controls relating to closing out of POs, adding vendors and creating purchase requisitions and turning them into purchase order.
- We selected a sample of active contracts and tested for completeness of the files and attributes detailed in the contract database.
- We tested completeness of the contract database system by verifying if the POs sampled had relating contracts, were added to the contract database system and by reviewing the pending contract memorandums of contracts over \$100,000 requiring Board approval.

Reporting (Phase 3)

At the conclusion of our audit, we documented our understanding of the process surrounding Purchasing and Contract Compliance management based on our interviews at the County and summarized our findings related to that function. We conducted an exit conference with the Central Services Office Director, Purchasing Manager and Assistant Finance Director. We prepared our report and related findings and provided copies to appropriate County Personnel. We have incorporated management's responses into our report.

Issues Matrix

PURCHASING

Rating	Issues	Recommendation	Management Response
High	<p>1. Centralization of Procurement</p> <p>As noted in the purchasing policy, the purchasing function involves the procurement of materials, supplies, equipment, and services at the lowest possible cost, consistent with the quality needed to meet the required standards established and approved by the Board of County Commissioners. Their goal is the promotion of the best interest of Brevard County through intelligent action and fair dealings, resulting in obtaining maximum savings for the County. Purchasing is a centralized function with the following exceptions:</p> <ul style="list-style-type: none"> • Procurement for the Elected Officials departments is performed by the offices themselves. • The County's largest expenditures relate to construction projects. Construction spend during FY 2008 amounted to ~\$81 million. The procurement process is decentralized in regards to construction. A variety of suppliers are engaged for goods/services across all departments. Each department "owns" its construction project and procurement for those projects, thus reducing the County's ability to leverage dollar spend and vendor performance/quality. Purchasing Services involvement is limited to posting the bids for advertisement, processing solicitations and processing the purchase order once the vendor has been selected. Purchasing Services is not involved on selection and award committees. 	<p>We recommend that the County centralize all procurement functions within Purchasing Services, including, if possible, the departments of the Elected Officials, due to the significance of the expenditures. Procurement functions include, but are not limited to:</p> <ul style="list-style-type: none"> • Assisting departments with establishing specifications that are descriptive of materials desired, and, at all times, sufficiently broad to promote competitive bidding. • Being apart of selection committees as their responsibility is to serve the best interest of the County in all procurement. • Nurturing and development of strong working relationships with vendors. <p>Centralizing all procurement gives the County the ability for the following:</p> <ul style="list-style-type: none"> • Vendor cost reduction; • Ability to better negotiate vendor spend by leveraging other projects and gain economies of scale; • Leverage common/best practices for purchasing to become best in class; • Leverage vendor performance and quality knowledge; and • Maintain transparency and independence. <p>An alternative to centralizing this function for construction could be that the County establishes a construction services team that coordinates/tracks/manages the procurement for all County construction related projects.</p>	<ul style="list-style-type: none"> • Development of a centralization plan is underway to identify opportunities for funding and acquiring appropriate staff resources to assume additional duties and responsibilities. • Potential for additional budget reductions must be overcome to provide staff and resources sufficient for an operation the size and activity of Brevard County. • Invitations for bids and proposals have been amended to allow negotiation of discounts or price reductions in consideration of any available renewal options. Letters of intent to exercise renewal options indicate that intent is contingent upon negotiation of costs or rates. • Pursuing cooperative bidding opportunities with the participation to the other Elected Officials will remain contingent upon the interest by those Officials as separate entities that are not bound by the Board's policies and procedures. <p>Estimated Completion Date: September 30, 2009</p> <p>Responsible Party: Steve Stultz, Central Services Director</p>

PURCHASING

Rating	Issues	Recommendation	Management Response
High	<p>2. Segregation of Duties and User Access</p> <p>Appropriate segregation of duties should include separating the authorizing, recording, and reconciling functions. No one person should have the ability to setup and approve a purchase requisition, setup and approve a purchase order, make vendor additions/changes/deletions and/or post vendor invoices.</p> <p>Purchasing Access The County's IT function decentralizes module configuration and trouble shooting in SAP by assigning Super User's within the departments. Before a configuration change can go through production, IT performs/promotes the change into the production environment. Currently the Central Services Director, Purchasing Manager and Purchasing Supervisor have Super User Access within the County's SAP purchasing module.</p> <p>We noted that duties are not appropriately segregated within the SAP purchasing module. The Central Services Director, Purchasing Manger and Purchasing Supervisor have conflicting access, which enables them to perform the following:</p> <ul style="list-style-type: none"> • Create and approve purchase requests; • Create and approve purchase orders; • Make vendor additions, changes and deletions; and • Post vendor invoices. <p>During our review, it was discovered that a Programmer Analyst from the IT Department, had access to process and release purchase orders in the purchasing module.</p> <p>Access is not reviewed on, at least, an annual basis.</p>	<p>Segregation of duties should be appropriately established within SAP, and access should be reviewed and monitored regularly, especially when there are job/function changes.</p> <p>Proper internal controls around purchasing and accounts payable activities reduce the risk and opportunity for fraudulent activity. Duplicate and/or unauthorized invoices could be input and subsequently processed through the system if access is not limited.</p> <p>Segregation of duties remediation for the Purchasing and Accounts Payable processes is as follows:</p> <ul style="list-style-type: none"> • Persons that have the ability to process and approve purchase orders and/or make vendor additions/changes/deletions should not have access to approve purchase requisitions. • Access to add/change/delete purchase vendors information should be limited to persons that do not have access to set up and approved purchase requisitions, setup and approve POs and/or post invoices; • Access to add/change/delete accounts payable vendors should be limited to those persons in Finance who do not have the ability to post a vendor invoice to a purchase order, release a vendor invoice for payment, process vendor payments and/or other accounts payable functions. • Access to post vendor invoices to purchase orders should be limited to the originating department; • Access to process vendor invoices for payment should be limited to persons that can not make vendor additions/changes/deletions and/or release invoices for payment. 	<p>Purchasing Access Purchasing Services will team with IT staff to develop an Administrative Order to:</p> <ol style="list-style-type: none"> 1. Define procedures for release authorities for requisitions and change orders. 2. Establish segregation of invoice posting and requisition creation and release to the greatest extent possible. 3. Define limitations for creation/change/deletion of vendors will be established. <p>Estimated Completion Date: September 30, 2009</p> <p>Responsible Party: Leslie Rothering, Purchasing Manager</p> <p>Accounts Payable Access The Assistant Finance Director's SAP access will be changed to eliminate access to 1) make vendor additions/deletions/changes and 2) process payments. A request has been submitted to Information Technology to remove these authorizations Once this access has been changed, the Assistant Finance Director will perform the quarterly reviews of vendor additions/deletions/changes and monthly reviews of invoices posted, released and processed.</p> <p>Estimated Completion Date: June 30, 2009</p> <p>Responsible Party: Kathleen Prothman, Assistant Finance Director</p>

PURCHASING

Rating	Issues	Recommendation	Management Response
High	2. Segregation of Duties and User Access - continued		
	<p>Accounts Payable Access The Assistant Finance Director has Super User Access in the Finance module.</p> <p>We also noted that the Accounts Payable Manager has the ability to make vendor additions/changes/deletions, post invoices, release invoices for payment and process the payment. The County's Assistant Finance Director has the same access as the Accounts Payable Manger, including access to post adjustments to the general ledger.</p> <p>Nor should one person have the ability to make vendor additions/changes/deletions, post invoices, release invoices for payment and/or process the payments.</p>	<p>Due to staffing limitations in the departments, access can not be fully segregated. As such, a representative from Purchasing Services and Finance that does not have the identified inappropriate access, preferably the Central Services Director and Finance Director, or designees at the appropriate level that do not have conflicting access, should perform monitoring controls including quarterly reviews of all vendor additions/changes/deletions in SAP listed by user, monthly reviews of all purchase requisitions and purchase orders approved by persons with inappropriate access and monthly reviews of invoices posted, released and processed by persons with conflicting access.</p>	

PURCHASING

Rating	Issues	Recommendation	Management Response
Moderate	<p>3. Vendor Masterfile</p> <p>Vendor Setup and Approval Currently, differing vendor setup and approval processes exist between Purchasing Services and Finance.</p> <ul style="list-style-type: none"> • Purchasing vendors are set up by persons in Purchasing Services via vendor form approved by Department Heads. • Accounts payable vendors are set up by persons in Finance via email or fax with the supporting approved invoice from the Departments. • Purchase and accounts payable vendors both require signed W-9s in order for the vendor to be setup in SAP, and Finance enters the employer identification number for all vendors. <p>As noted under issue #2 Segregation of Duties and User Access, segregation of duties conflicts exist regarding inappropriate access to make vendor additions/changes/deletions. Ideally, persons in Finance and Accounts Payable should not have access to make vendor additions/changes/deletions and process vendor payments. Accounts Payable vendors are typically related to employee mileage reimbursements, one time payment etc.</p> <p>Vendor Screening We noted that vendor due diligence/screening is not part of the setup process. For example, is the vendor a valid business entity, etc? We selected 20 vendor additions/changes for testing and identified the following:</p> <ul style="list-style-type: none"> • All 20 vendors sample had supporting W-9s, but 1 vendor's W-9 was over 1 year old. • 2 vendors masterfile information per SAP did not include the EIN, even though a W-9 was on file. • For 1 vendor, the EIN per the W-9 did not agree to the EIN per the vendor masterfile. • 1 vendor was setup 1/5/09 and per www.sunbiz.org, they were listed as an inactive business as of 9/26/08. • We were unable to confirm the validity of the business for 3 of the vendors. 	<p>See issue #2 Segregation of Duties and User Access, regarding vendor masterfile access and monitoring recommendation.</p> <p>We recommend that Purchasing and Finance continue to enhance the vendor setup process by utilizing the same vendor form and require approval by the appropriate department head. Also, the vendor setup process should be enhanced to include verification of vendors prior to set up in SAP. Steps should include at a minimum:</p> <ul style="list-style-type: none"> • Calling a vendor and/or visiting the vendor location. • Validating the vendor EIN on www.sunbiz.org. • Continue to compare the vendor/name address to existing vendor names/addresses. • Require an updated W-9 if the one on file is 1 year or older for existing vendor additions/changes. <p>Purchasing and Finance should continue to perform an annual review of the vendor masterfiles to eliminate duplicate vendors. They should be reviewed for any unusual patterns, such as names that may be similar, but not identical to the names of approved vendors and vendors that have multiple addresses and other irregularities.</p> <p>Vendor masterfiles should be periodically reviewed by Accounts Payable to determine the date of last activity, and vendors without a recent history, within 2 years, should be deactivated.</p>	<p>Purchasing Services Response Purchasing will revise the current vendor form to require vendor EIN. Procedures will be established to verify vendor EIN and document the verification for any vendor create/change processed by Purchasing Services.</p> <p>Authorization and limitations to create/change/delete will be included in the Administrative Order referenced in #2 above.</p> <p>Estimated Completion Date: September 30, 2009</p> <p>Responsible Party: Steve Stultz, Central Services Director and Leslie Rothering, Purchasing Manager</p> <p>Accounts Payable Response Refer to our response for Issue #2.</p> <p>County Finance will implement procedures for verification of vendors prior to entry into SAP, incorporating the auditor's recommendations. The Accounts Payable Vendor Add/Change/Block Request form will be amended to include documentation of vendor due diligence screening.</p> <p>County Finance will continue to work with Purchasing to eliminate duplicate vendors.</p> <p>County Finance will work with Purchasing and Information Technology staff to deactivate vendors with no recent history.</p>

PURCHASING

Rating	Issues	Recommendation	Management Response														
	<p>3. Vendor Masterfile - continued</p> <p>Master Vendor Listing We performed computer assisted audit techniques to identify potential duplicate vendors, vendor addresses that matched employee addresses, vendors with PO Boxes, vendors with missing information of the SAP vendor masterfile received during our review. The total population of vendors was 10,402. As part of the vendor setup/change process, Purchasing and Finance review the vendor masterfile to identify if the vendor is already in SAP. On occasion, duplicate vendors are required for the following:</p> <ul style="list-style-type: none"> • Payment required to be submitted to a different address. • Utilities vendors are duplicated for each account the County submit payments. <p>If a duplicate vendor is needed due to a different payment address, the person performing the vendor additions will identify input the new vendor id as an "alternate payee" to support that the duplicated vendor addition was needed due to a different address for payment. SAP does not have the function to attach multiple addresses to a vendor ID. Vendors with alternate payee IDs have been excluded from the following vendor masterfile statistics in SAP:</p> <table border="1" data-bbox="342 975 922 1254"> <thead> <tr> <th>Description</th> <th></th> </tr> </thead> <tbody> <tr> <td>Vendors with same name, address and EINs</td> <td>147</td> </tr> <tr> <td>Vendors with PO Box for an address</td> <td>2,338</td> </tr> <tr> <td>Different vendor IDs with same name and EIN, different address</td> <td>89</td> </tr> <tr> <td>Vendors without EINs</td> <td>1,281</td> </tr> <tr> <td>Vendors without addresses</td> <td>44</td> </tr> <tr> <td>Vendor address that matched employee address*</td> <td>1</td> </tr> </tbody> </table> <p>*Obtained listings of Brevard County employees and Clerk of Court employees only</p>	Description		Vendors with same name, address and EINs	147	Vendors with PO Box for an address	2,338	Different vendor IDs with same name and EIN, different address	89	Vendors without EINs	1,281	Vendors without addresses	44	Vendor address that matched employee address*	1		<p>Estimated Completion Date: User Access: June 30, 2009 Vendor Setup Verification: June 30, 2009 Vendor Cleanup: December 31, 2009</p> <p>Responsible Party: Kathleen Prothman, Assistant Finance Director and Joyce Adams, Accounts Payable Manager</p>
Description																	
Vendors with same name, address and EINs	147																
Vendors with PO Box for an address	2,338																
Different vendor IDs with same name and EIN, different address	89																
Vendors without EINs	1,281																
Vendors without addresses	44																
Vendor address that matched employee address*	1																

PURCHASING

Rating	Issues	Recommendation	Management Response
Moderate	<p>3. Vendor Masterfile - continued</p> <p>There was an employee whose address matched 2 vendor addresses. The employee was hired on 6/23/2008. This employee's employment file contained disclosure that he was an employee for one of the vendors, but not both. There has been activity during 2009 with the vendor that the employee did not disclose, since his hire date.</p> <p>Vendor setup and monitoring is a critical function and weaknesses in this function increase the opportunities for fraud.</p> <p>As noted above, we reviewed the County's process surrounding setup of new vendors and changes and/or deletions to the vendor masterfiles and noted the following internal control deficiencies:</p> <ul style="list-style-type: none"> • Fictitious or duplicate vendors could be added into the system. • Fraudulent vendors and unidentified/undisclosed related parties could be added into the system without proper approval/verification process. • Vendors may be added who are not licensed and/or a valid business entity. <p>The above internal control deficiencies increase the risk of the following fraud schemes:</p> <ul style="list-style-type: none"> • Misappropriation of funds • Kickbacks/overbilling • Setup of shell companies 		

PURCHASING

Rating	Issues	Recommendation	Management Response
Moderate	<p>4. Leverage of Vendor Spend</p> <p>Spend Management aligns organizations, processes, and systems to analyze, source, contract, procure, pay, manage and continuously improve global supply for best-value performance in support of the strategic objectives of the business.</p> <p>Vendor analysis is the assessment of strengths and weaknesses of current and prospective suppliers in terms of their capacity, sales revenue, reputation, stocks, markdowns, markups, gross margins, quality, reliability, service, pricing policies, payment terms, etc.</p> <p>Achieving savings can come from making use of procurement professionals to manage all of the "spend", or strategic sourcing, in the County. As identified issue #1, Centralization of Procurement, Purchasing Services does not have the full ability to achieve savings to it full capacity County wide as procurement is not centralized.</p> <p>In addition to Purchasing Services negotiating purchase requisitions >\$15,000 that come through Central Services, Purchasing Services has implemented the following in order to achieve additional vendor savings:</p> <ul style="list-style-type: none"> • Buyers perform "spot checks" of purchase requisitions under \$15,000 to ensure that the best pricing has been obtained. • During March 2009, the County updated the Invitation to Bid – Bid Acknowledgement to include verbiage of discounts for early payment. • As contracts come due, Purchasing Services submits renewal letters addressing vendor cost reductions. <p>Purchasing Services has identified certain vendors and commodities for analysis of vendor spend and cost avoidance. They have not implemented/performed a strategic/holistic analysis of vendor spend by commodity and/or contract, that have not been previously analyzed, to identify where vendor spend can be optimized for additional savings through negotiation.</p>	<p>To achieve additional spend management success, we recommend that Purchasing Services perform a holistic view of County spend, to enable them to strategically source all expenditures. Purchasing Services should:</p> <ul style="list-style-type: none"> • Identify vendors where additional cost savings could be available based on current knowledge and use. • Work with the departments to identify commodities/contracts that Purchasing Services is not involved or not fully involved with the procurement process, ie construction vendors and contracts, to analyze if expenditures can be additionally optimized commodity/contract for additional cost reduction negotiations. <p>Additional savings will affect the County's bottom line directly.</p>	<p><u>Negotiation of Discounts</u></p> <ul style="list-style-type: none"> • Statutory requirements regarding the bidding of public works construction projects may restrict renegotiation of contract awards. A legal opinion is being requested by the County Attorney's Office. • Bid language has been revised to indicate that optional extensions for awarded term agreements are subject to renegotiation. • Where term contracts for commodities and services include options for extensions, notifications of the County's desire to exercise the option to extend are being revised to indicate the County's desire to extend the agreement subject to negotiations for cost reductions. • Staff has successfully negotiated reduction in costs for additional related services related to the State of Florida tire contract with Gatto's Tire Company. Reductions averaged 21% of previous rates. Savings realized from the negotiated reductions is estimated at \$7,000 to \$12,000 annually. <p>Estimated Completion Date: August 31, 2009</p> <p>Responsible Party: Steve Stultz, Central Services Director</p>

PURCHASING

Rating	Issues	Recommendation	Management Response
Moderate	<p>5. Transaction Testing</p> <p>Bid Award Notification Of our purchase order sample, we noted that 1 out of 25 files did not include documentation of the bid award notification. The checklist that is located in each file, does not contain reference of the bid award notification.</p> <p>Purchase Requisition Approvers under \$15,000 Department Heads have the authorization to assign designees to release purchase requisitions less than \$15,000 in SAP under release code 02 – Department Director. We performed a review of persons with access to release purchase requisitions less than \$15,000, as of 2/20/2009, and noted the following:</p> <ul style="list-style-type: none"> Certain departments have designated the Administrative Assistants and Administrative Secretaries as their purchase requisition approval designee. There is a risk that persons of the appropriate level have not been identified as designees for the Department Heads to release purchase requisition under \$15,000. 	<p>Bid Award Notification We recommend that Purchasing include the bid award notification on the file checklist and require the supporting documentation of the bid award notification be included with the bid file.</p> <p>Purchase Requisition Approvers under \$15,000 We recommend persons with Release Code 02 – Department Director access be limited to appropriate level designees as designated by the Department Heads. The designees should be at a Manager level or above.</p>	<p>Bid file checklists will be revised to include the bid award notification.</p> <p>Purchasing Services will team with IT staff to develop an Administrative Order to:</p> <ul style="list-style-type: none"> Define and define procedures for release authorities for requisitions and change orders. <p>Estimated Completion Date: September 30, 2009</p> <p>Responsible Party: Leslie Rothering, Purchasing Manager</p>

PURCHASING

Rating	Issues	Recommendation	Management Response
Low	<p data-bbox="338 252 947 284">6. Vendor Performance Evaluations</p> <p data-bbox="338 284 947 371">The purpose of evaluating contractors and other vendors is to determine whether they are providing satisfactory service to the County.</p> <p data-bbox="338 403 947 579">In the event an issue is identified, evaluations can provide the documentation necessary to support the County's desired action (e.g. suspension or disqualification of future projects). Evaluations can also provide knowledge share for preferred vendors based on prior performance, which can improve project efficiencies and quality.</p> <p data-bbox="338 611 947 643">Evaluations are only suggested to be performed for contractors.</p>	<p data-bbox="969 284 1527 435">We recommend that the County develop a procedure and corresponding forms to evaluate all vendors. The evaluations should be performed on a regular basis (i.e., annually or at project completion). Such frequency should also be documented in formalized procedures.</p>	<p data-bbox="1550 284 2027 435">Existing policy on construction contractor performance evaluations will be revised and forms developed to include vendors providing other services and commodities. Revision will also define specific time to perform evaluations.</p> <p data-bbox="1550 467 2027 499">Estimated Completion Date: August 31, 2009</p> <p data-bbox="1550 531 2027 579">Responsible Party: Leslie Rothering, Purchasing Manager</p>

PURCHASING

Rating	Issues	Recommendation	Management Response
Moderate	<p>7. Streamlining Purchase Requisition Process and Document Management</p>		
	<p>Automation of on-line Purchase Requisition Approval One of the most protracted and costly processes within any organization, is the manual processing of purchase documents. Simplifying the document approval process reduces administration costs and errors.</p> <p>Currently, the County does not have the appropriate number of licenses in SAP to allow for all purchase requisitions to be approved in SAP. Purchase requisitions that require Assistant County Manager(s) and Board Approval are manually authorized.</p> <p>Document Management Documents are increasingly becoming a valuable corporate resource because of the role they play in key business processes. Documents are integral to simplifying work processes, vital links within and between value chains and business processes. An efficient document management and document imaging system not only offers a real step towards the holy grail of the paperless office, but it also delivers much greater control, reduced costs and better customer service.</p> <p>The County maintains hard copy files of all bid documents, RFPs, awards and POs, etc.</p> <p>The reduction in paper chasing combined with a fully comprehensive audit trail, enables an increase in productivity, reduction in costs, improved company image and a fast return on investment.</p>	<p>We recommend that Purchasing Services work with the County's IT department in analyzing the ability to fully utilize SAP for additional automation of the purchasing process, including the ability for document imaging.</p> <p>Another alternative to document imaging is enterprise document management. Purchasing Services should work with IT on analyzing the cost/benefit of implementation and utilization of such system/resource.</p>	<p>Review of options will be completed with the IT department to determine current version capabilities and/or additional system requirements and cost.</p> <p>Estimated Completion Date: Open</p> <p>Responsible Party: Steve Stultz, Central Services Director and Leslie Rothering, Purchasing Manager</p>

CONTRACT COMPLIANCE

Rating	Issues	Recommendation	Management Response
High	8. Contract Administration Management		
	<p>Contract Monitoring The responsibility for contract monitoring is "shared" by the Departments and Purchasing Services. AO-29 states the following:</p> <ul style="list-style-type: none"> The Officer of Primary Responsibility (OPR) is the Department/Office Director or designee who is responsible for all contracts originating from his or her area of jurisdiction. The OPRs are responsible for timely input/update of the contract information into the Contract Management database ("database"). Contract Management, within the Purchasing Services Program shall be responsible for monitoring information within the database program to ensure information integrity. Purchasing Services is required to notify the Department/Office Director or designee that no contract activities should commence or continue until all contract requirements, including insurance and bonding are in compliance, pursuant to AO-29 Section V.B.4 <p>Monitoring Receipt of Contracts Purchasing Services is able to monitor receipt of contracts greater than \$100,000 as they require Board approval. Purchasing Services receives a copy of the County memorandums detailing the contracts that have been approved by the Board during that session. Currently, there is no process to track and verify that contracts less than \$100,000 have been included in the database. We tested the effectiveness of the receipt of contracts monitoring and noted the following:</p> <ul style="list-style-type: none"> 3 POs from our sample, that had associated contracts, were not listed in the database. 2 contracts were less than \$100,000 and 1 was over \$1,000,000. For contracts greater than \$100,000 we reviewed the pending contract files for 2 departments and noted that one file was pending receipt of a contract approved April 2008 and the other file was pending receipt of a contract approved March 2008. 	<p>Risk to the County is elevated as AO-29 is not being performed as outlined. We recommend the following:</p> <ul style="list-style-type: none"> Department OPRs should be re-educated on the importance of ensuring that contracts are administered in accordance with the requirements as established in AO-29. For contracts greater than \$100,000, a listing of pending contracts should be sent to the departments, as part of the monthly reporting, as to non-compliance with the terms of AO-29. The Data Control Specialist should, at a minimum, include the following attribute review procedures of the contract database to the source documents, as part of the random audits as required per section V.B.2 of AO-29: <ul style="list-style-type: none"> Verify contract effective/expiration dates; Verify contract amount; and Verify currency effective/expiration dates. As part of the monthly reporting submitted to the departments by the Data Controls Specialist, a Contract Completeness Certification in Accordance with AO-29 should be submitted to the OPRs with required completion. This monthly certification by the department OPR should include, at a minimum, that all contracts signed during the month have been input in the contract database. The contract database should be updated to include the date of entry and/or change, which can not be modified. The Data Controls Specialist could then run a monthly report of database additions/changes as part of the Contract Management monitoring to ensure that all contracts have been received. 	<p>An annual training program will be established to supply refresher training to user department staff.</p> <p>Staff will team with the IT department to create a "contract pending" status on the database to identify contracts approved by the Board but not yet received in Contracts Administration and to create a date of entry or change.</p> <p>A checklist will be developed to be utilized by the Data Control Specialist to perform a review of new contracts received.</p> <p>The contract review form utilized for random audits will be revised to include review of the contract amount and all effective dates.</p> <p>A certification form will be created for department OPRs to certify that all contracts executed within the month have been input into the database.</p> <p>Estimated Completion Date: September 30, 2009</p> <p>Responsible Party: Steve Stultz, Central Services Director</p>

CONTRACT COMPLIANCE

Rating	Issues	Recommendation	Management Response
High	<p>8. Contract Administration Management - continued</p> <p>Monitoring Receipt of Contracts - continued</p> <ul style="list-style-type: none"> For contracts greater \$100,000, review and notification that the contracts have not been populated in the database is not part of the monthly reporting to the departments by Purchasing Services. <p>Database Completeness and Accuracy</p> <p>Purchasing Services monitoring procedures is limited to ensuring that all contract documents, i.e. insurance certificates and bond documents, have been received for the contracts they are "aware of". Contract attributes such as contract effective/expiration dates, amounts, insurance and bonding effective/expiration dates per the source documents are not verified to ensure the information in the database is accurate.</p> <p>We selected a sample of 10 contracts from the database for testing and noted the following:</p> <ul style="list-style-type: none"> 3 had differing contract effective dates per the contracts as recorded in the database. 2 had differing contract expiration dates per the contracts as recorded in the database. 3 files were lacking a copy of the insurance certificate. 2 contracts had insurance certificates that did not correspond to the contract period. 1 file was lacking a copy of the bond document. 1 had a different contract amount per the contract as recorded in the database. <p>We reviewed the contract amounts in the database and noted that 770 active contracts, with contract amounts listed as \$.00 or \$.01. We selected a sample of 10 contracts listed at \$.00 or \$.01 for testing and noted the following:</p> <ul style="list-style-type: none"> 6 should have had contract amounts posted to the database ranging from \$25,553 to \$1,792,099. 1 did not have a corresponding file of supporting documentation. 		

CONTRACT COMPLIANCE

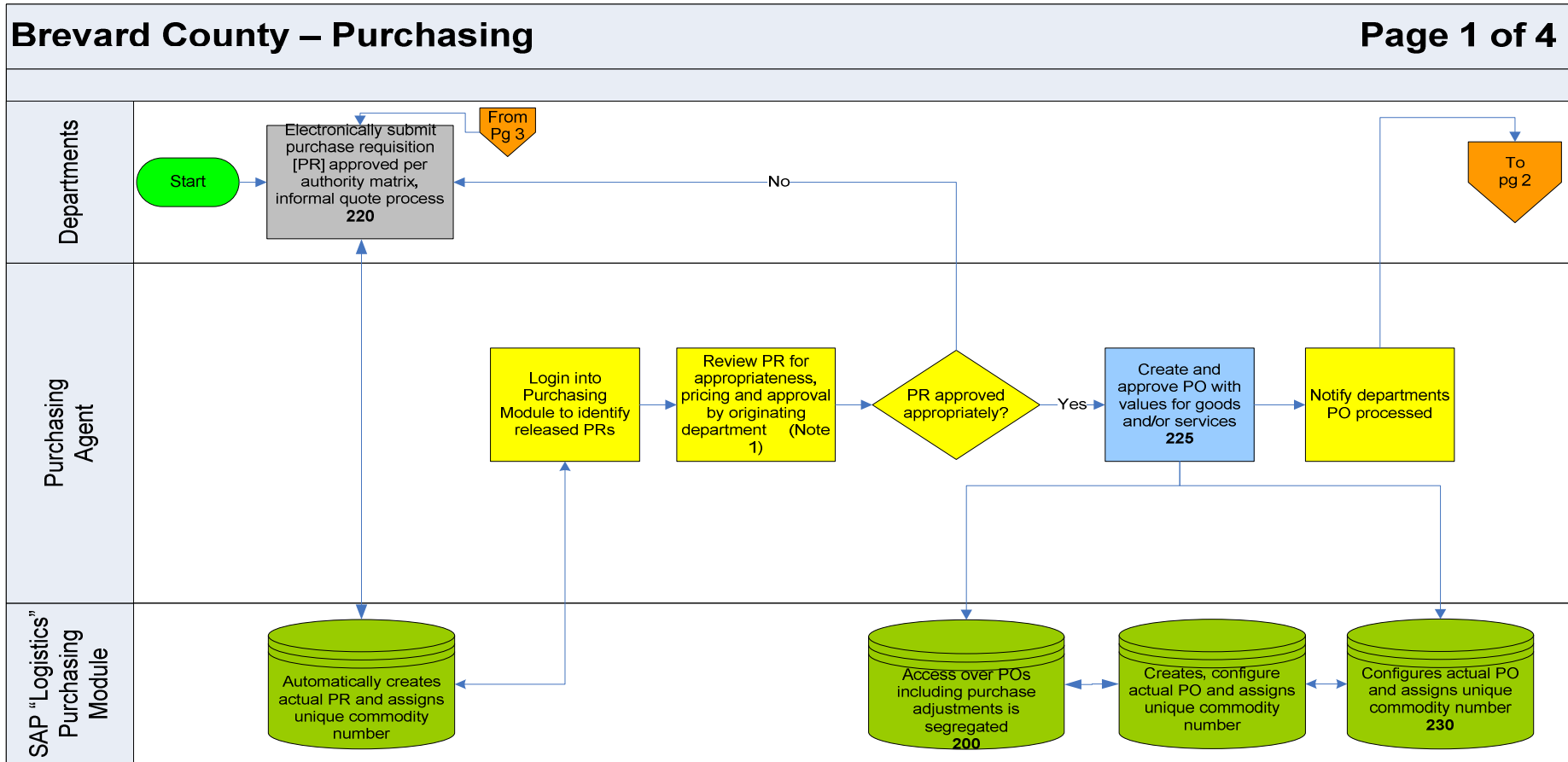
Rating	Issues	Recommendation	Management Response
High	<p data-bbox="338 252 947 579">9. Contract Compliance Monitoring - Audits Performing audits of contracts are important tools to ensure that the purpose for the agreement or the performance of a contract actually occurs. Contract compliance monitoring is a necessary element to maintain an open and fair procurement process. Audits conducted after problems are uncovered are reactionary. The goal is to identify weaknesses and inform management of situations before problems develop. All too often, once negotiations are completed and goods being to flow, there is limited visibility to ensure that the terms negotiated are the terms executed.</p> <p data-bbox="338 611 947 671">We noted that contract compliance audits are not currently being conducted.</p> <p data-bbox="338 703 947 818">We selected a sample of 10 contracts to review for right to audit clauses and noted that 2 contracts were lacking right to audit clauses. For one of the exceptions lacking an audit clause, the contract amount is based upon a percentage of sales.</p>	<p data-bbox="969 284 1529 459">To assist the County in enhancing their responsibility and in reducing the risk that contractors are not fulfilling their contract obligations, we recommend right to audit clauses be required on all County contracts and that the County perform random audits of contractors to ensure contract compliance.</p> <p data-bbox="969 491 1529 639">The County has a social and fiduciary responsibility to maintain integrity of the contract administration process. In order for the County to provide control and oversight, contract auditing, should be performed periodically. Objectives for contract review and audits include:</p> <ul data-bbox="992 639 1518 826" style="list-style-type: none"> • Verifying that the obligations of the contract are being met; and • Verifying that invoices match and accurately reflect the billings allowed in accordance with the terms of the contract, including charges from subcontractors or other suppliers. <p data-bbox="969 858 1529 911">Contract Compliance audits can be included in the County's internal audit plan.</p>	<p data-bbox="1552 284 2022 371">A list of contracts recommended for review will be provided to the County Manager for his consideration for formal audit.</p> <p data-bbox="1552 403 1989 432">Estimated Completion Date: June 30, 2009</p> <p data-bbox="1552 464 2022 517">Responsible Party: Steve Stultz, Central Services Director</p>

ACCOUNTS PAYABLE

Rating	Issues	Recommendation	Management Response
Moderate	10. Vendor Payments		
	<p>We tested compliance with Administrative Order 33 "Prompt Payment of Invoices". The purpose and scope of this administrative order is: "To specify the process for receiving invoices, evaluating invoices for proper content, notifying vendors of improper invoices and resolving disputes related to invoices, so that timely payment occurs."</p> <p>We received a download of all disbursements from October 1, 2008 through February 28, 2009, noting 34,969 vendor payments. For all disbursements we calculated number of days from the posting date in SAP to compare the check disbursement date to verify compliance with Administrative Order 33 – Prompt Payment of Invoices and noted 175 of the invoices paid were not paid within 45 days of entry.</p> <p>Florida Statute 218.74 "Procedures for calculation of payment due dates." (2) "The payment due date for a local governmental entity for purchase of goods or services other than construction services is 45 days...". If invoices are not paid in accordance with Florida Statutes, then the county is responsible to pay interest on invoices paid late.</p>	<p>We recommend that the Accounts Payable function continue their diligence on ensuring that invoices are paid timely in accordance with AO-33 to ensure that procedures are clear and precise and are being followed.</p>	<p>Accounts Payable will continue their efforts to ensure that invoices are paid timely in accordance with AO-33. Normally, invoices are received in County Finance within a few days of the entry date in SAP. There are exceptions, as evidenced by the 175 invoices (representing .5% of payments) noted by the auditors. Departments may not always send the invoices to County Finance immediately after entry; the invoices may be misplaced or never arrive in County Finance, for example. We have recently made a change in Accounts Payable procedures to document in SAP the date that the invoice is received in County Finance. This should allow better tracking of compliance with prompt payment requirements.</p> <p>Estimated Completion Date: N/A</p> <p>Responsible Party: Kathleen Prothman, Assistant Finance Director and Joyce Adams, Accounts Payable Manager</p>

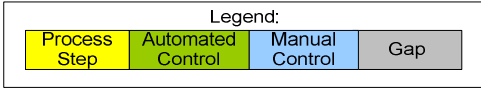
Appendix

PROCESS MAP – PURCHASING

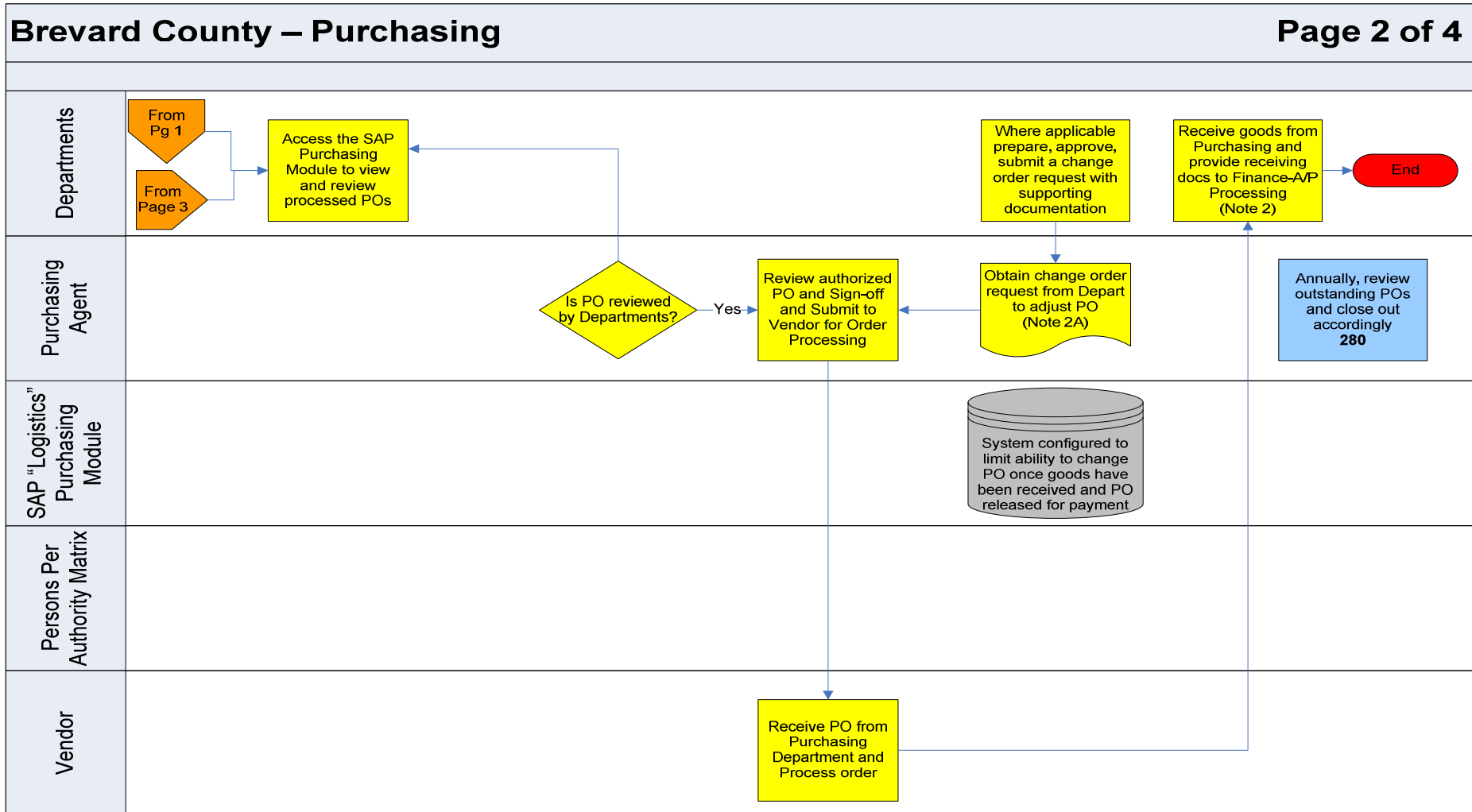


Control 210 GAP: Access to the purchasing module is not reviewed on at least an annual basis.
Control 260 GAP: The County does not perform periodic analysis of purchasing power with long term vendors to ensure they are receiving optimal dollar value of goods and/or services.
Control 285: All blanket POs have "not to exceed" values input for internal monitoring purposes.
Control 290: Management performs a budget to actual analysis on financial results.
Control 295: Segregation of duties over receiving goods into the system is restricted to appropriate authorized personnel,

Note 1: Emergency purchases are approved per the spending authority levels outlined in the Policy, BCC-25, Procurement and subject to review by the Purchasing Manager as provided in the policy. For expenditures under \$15,000, the user agency will document nature of the emergency on the electronic PR in addition to retaining in the dept. records.



PROCESS MAP – PURCHASING

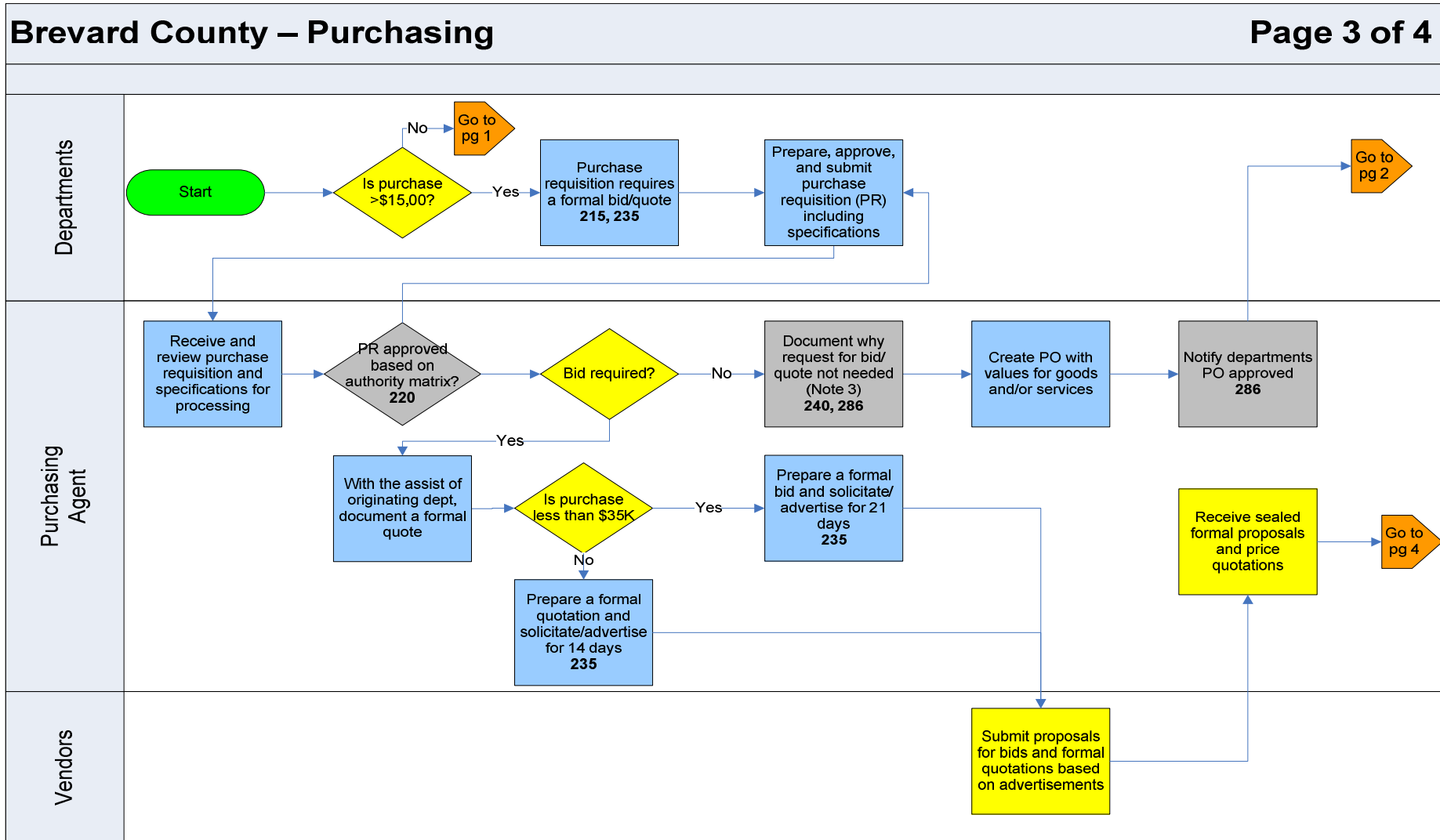


Note 2: In instances where the department has not received goods and/or services, they may contact purchasing agents) who in turn follow-up with the client relative to pending order.

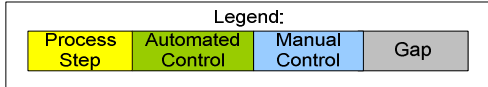
Note 2A: Change Orders causing price to exceed authorized thresholds, or increase 10% or \$100 cap or more of original price require a change order with the same approval procedures as requisitions. Construction Consultant Contract Changes will follow Policy BCC-27 & Administrative Order AO-29. Also, in conformity with UCC, cancellations of any PO totaling > \$500 will require a change order request.



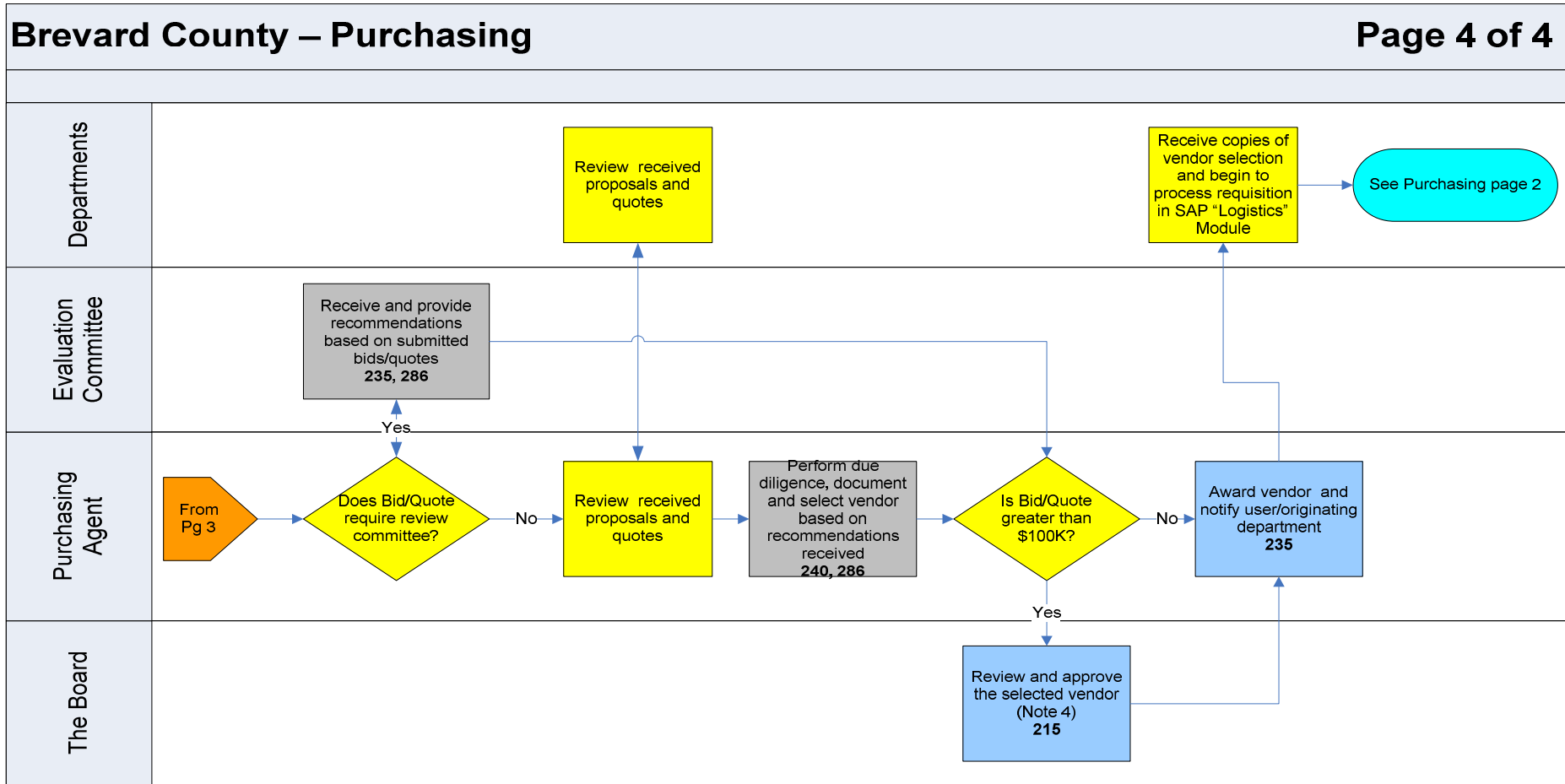
PROCESS MAP – PURCHASING



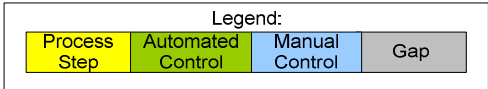
Note 3: Per Policy, certain purchase categories may be exempt from bids/quotes as described in detail in the Board of County Commissioners' Purchasing Procedures Manual Section III: C; E; and General Information for Purchases Not Requiring Bids and/or Quotes. These purchases are subject to approval procedures per Policy BCC-25, Procurement.



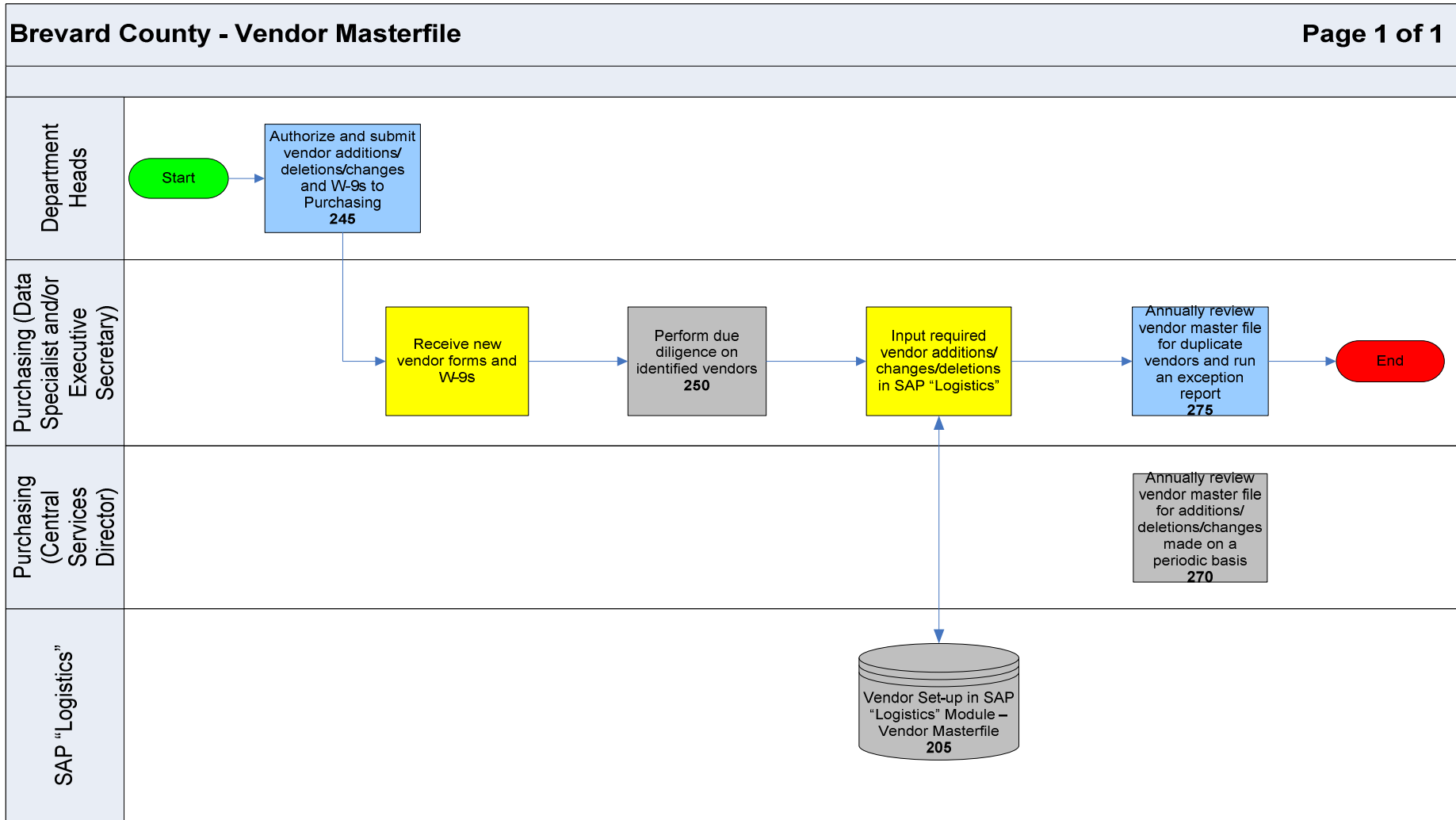
PROCESS MAP – PURCHASING



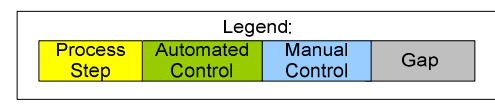
Note 4: Award recommendations greater than \$100K need be submitted by Purchasing Services for approval by the Board of County Commissioners, unless previously exempted or approved. Any changes in finalized quotes/bids formally approved by the Board need be re-submitted to the Board for approval unless the increase in price is allowed by the bid solicitation or contract document or applicable policy.



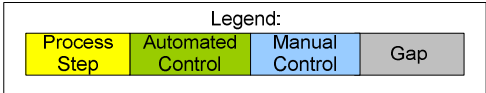
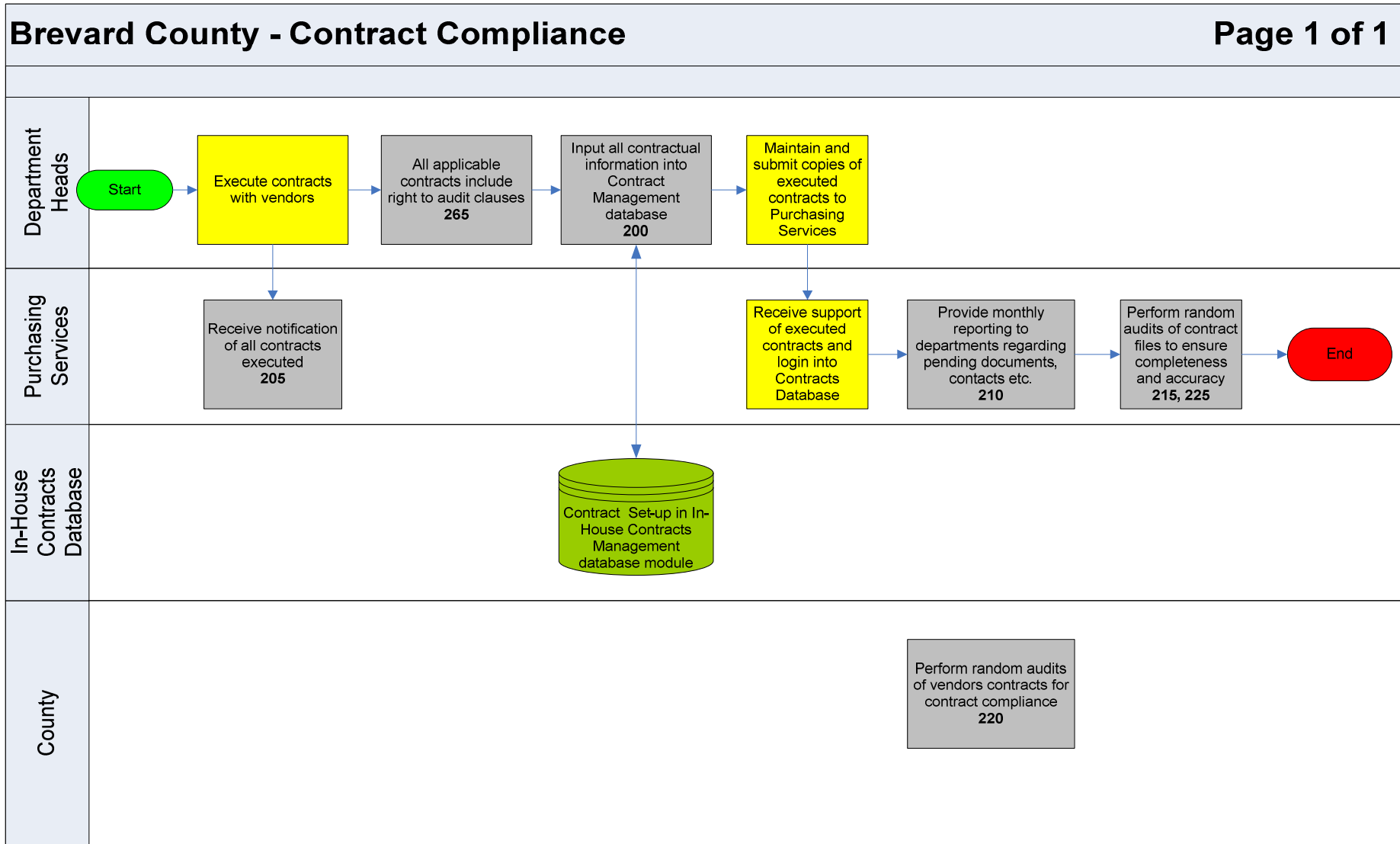
PROCESS MAP – VENDOR MASTERFILE



Control 255: The Board of County Commissioners are required to disclose related party relationships.
Control 282: A conflict of interest policy is established under the County name and employees must disclose related parties.
Control 284: All bidders must disclose with the bid the name of any officer, director, or agent who is also an employee of BC.



PROCESS MAP – CONTRACT COMPLIANCE



RISK CONTROL MATRIXES - PURCHASING

Purchasing						
Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
100	What ensures that there is proper segregation of duties?					
		200	Segregation over purchase order, including adjustments to POs, is appropriately restricted.	Preventative	Automated	Effective
		205	Segregation over vendor set up is not appropriately restricted.	Preventative	Automated	Design Gap - See Observation and Recommendation #2
		220	Segregation over purchase requisition release is not appropriately restricted.	Preventative	Automated	Operating Gap - See Observation and Recommendation #5
		210	Access is not reviewed on at least an annual basis.	Detective	Manual	Design Gap - See Observation and Recommendation #2
		295	Segregation of duties over receiving goods into the system is restricted to appropriate authorized personnel.	Preventative	Automated	Effective
105	What ensures that a system is in place for the establishment of purchasing?					
		215	The County has detailed policies and procedures to ensure adherence to the purchasing process.	Preventative	Manual	Effective
110	What ensures purchase orders are placed for only approved requisitions?					
		220	Segregation over purchase requisition release is not appropriately restricted.	Preventative	Automated	Operating Gap - See Observation and Recommendation #5
		225	Purchase orders are approved per the established authority matrix.	Preventative	Manual	Effective

RISK CONTROL MATRIXES - PURCHASING

Purchasing						
Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
115	What ensures all purchase orders are input and processed?					
		230	Purchase orders are sequentially numbered. The sequence of purchase orders processed is accounted.	Preventative	Manual	Effective
120	What ensures that request for quote process procedures are adhered?					
		235	The purchasing manual includes the request for quote procedures.	Preventative	Manual	Effective
		240	Bids are required for all applicable purchase requisitions, including documentation as to why or why not bids were obtained.	Preventative	Manual	Effective
125	What ensures that the company does not enter into contracts and/or make purchases from related parties?					
		245	Differing vendor approval processes exist for purchase vendors and accounts payable vendors.	Preventative	Manual	Design Gap - See Observation and Recommendation #3
		250	Due diligence is not performed on vendors to prior to set up to ensure validity of the business.	Preventative	Manual	Design Gap - See Observation and Recommendation #3
		255	The Board of County Commissioners are required to disclose related party relationships.	Preventative	Manual	Effective
		282	A conflict of interest policy is established under the County name and employees must disclose related party relationships.	Preventative	Manual	Operating Gap - See Observation and Recommendation #3
		284	All bidders must disclose with their bid the name of any officer, director, or agent who is also an employee of Brevard County. Further all proposers must disclose the name of any County employee who owns, directly or indirectly, any interest in the prop	Preventative	Manual	Effective

RISK CONTROL MATRIXES - PURCHASING

Purchasing						
Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
130	What ensures that the County is obtaining optimal dollar value on vendor spending?					
		240	Bids are required for all applicable purchase requisitions, including documentation as to why or why not bids were obtained.	Preventative	Manual	Effective
		260	The County does not perform periodic analysis of purchasing power with long term vendors to ensure receiving optimal dollar value for goods and/or services.	Detective	Manual	Design Gap - See Observation and Recommendation #4
		286	The Purchasing department is not fully involved with the vendor review/selection for all procurements.	Preventative	Manual	Design Gap - See Observation and Recommendation #1
135	What ensures that purchases are for proper business purposes?					
		220	Segregation over purchase requisition release is not appropriately restricted.	Preventative	Automated	Operating Gap - See Observation and Recommendation #5
		225	Purchase orders are approved per the established authority matrix.	Preventative	Manual	Effective
		265	Right to audit clauses are not included in all applicable contracts.	Preventative	Manual	Design Gap - See Observation and Recommendation #9

RISK CONTROL MATRIXES - PURCHASING

Purchasing

Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
140	What ensures that purchasers are not receiving kickbacks from vendors?					
		225	Purchase orders are approved per the established authority matrix.	Preventative	Manual	Effective
		235	The purchasing manual includes the request for quote procedures.	Preventative	Manual	Effective
		240	Bids are required for all applicable purchase requisitions, including documentation as to why or why not bids were obtained.	Preventative	Manual	Effective
		245	Differing vendor approval processes exist for purchase vendors and accounts payable vendors.	Preventative	Manual	Design Gap - See Observation and Recommendation #3
		265	Right to audit clauses are included in all applicable contracts.	Preventative	Manual	Design Gap - See Observation and Recommendation #9
		290	Management performs a budget to actual analysis on financial results.	Detective	Manual	See Financial Close
		270	Vendor additions/changes/deletions are not reviewed on a periodic basis.	Detective	Manual	Design Gap - See Observation and Recommendation #3

RISK CONTROL MATRIXES - PURCHASING

Purchasing						
Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
145	What ensures that the Company is not making purchases from duplicate and/or fictitious vendors?					
		225	Purchase orders are approved per the established authority matrix.	Preventative	Manual	Effective
		240	Bids are required for all applicable purchase requisitions, including documentation as to why or why not bids were obtained.	Preventative	Manual	Effective
		245	Differing vendor approval processes exist for purchase vendors and accounts payable vendors.	Preventative	Manual	Design Gap - See Observation and Recommendation #3
		260	The County does not perform periodic analysis of purchasing power with long term vendors to ensure receiving optimal dollar value for goods and/or services.	Detective	Manual	Design Gap - See Observation and Recommendation #4
		270	Vendor additions/changes/deletions are not reviewed on a periodic basis.	Detective	Manual	Design Gap - See Observation and Recommendation #3
		275	Vendor lists are reviewed on an at least an annual basis for on going pertinence.	Detective	Manual	Operating Gap - See Observation and Recommendation #3
150	What ensures that the vendor master file is pertinent, accurate and changes are timely and valid?					
		245	Differing vendor approval processes exist for purchase vendors and accounts payable vendors.	Preventative	Manual	Design Gap - See Observation and Recommendation #3
		270	Vendor additions/changes/deletions are not reviewed on a periodic basis.	Detective	Manual	Design Gap - See Observation and Recommendation #3
		275	Vendor lists are reviewed on an at least an annual basis for on going pertinence.	Detective	Manual	Operating Gap - See Observation and Recommendation #3

RISK CONTROL MATRIXES - PURCHASING

Purchasing						
Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
155	What ensures that Management has ability to monitor forecasted pricing?					
		290	Management performs a budget to actual analysis on financial results.	Detective	Manual	See Financial Close
		280	The County closes all purchase orders on an annual basis.	Preventative	Manual	Effective
160	What ensures that all purchase orders have been properly approved?					
		220	Segregation over purchase requisition release is not appropriately restricted.	Preventative	Automated	Operating Gap - See Observation and Recommendation #5
		225	Purchase orders are approved per the established authority matrix.	Preventative	Manual	Effective
		285	All blanket POs have "not to exceed" values input for internal monitoring purposes.	Preventative	Manual	Effective
165	What ensures that purchases are in compliance with Florida Statute and County By laws?					
		215	The County has detailed policies and procedures to ensure adherence to the purchasing process.	Preventative	Manual	Effective
		235	The purchasing manual includes the request for quote procedures.	Preventative	Manual	Effective

RISK CONTROL MATRIXES - PURCHASING

RISK CONTROL MATRIXES – CONTRACT COMPLIANCE

Contract Compliance						
Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
100	What ensures that contractors meet the contract terms and conditions?					
		265	Right to audit clauses are not included in all applicable contracts.	Preventative	Manual	Design Gap - See Observation and Recommendation #9
		220	The county does not perform random audits of contract compliance.	Detective	Manual	Design Gap - See Observation and Recommendation #9
105	What ensures that the Contract Management database is complete for effective monitoring by Purchasing?					
		200	Contracts are not input in contract management database completely, timely and accurately by the Departments.	Preventative	Manual	Operating Gap - See Observation and Recommendation #8
		205	Monitoring process is not in place to ensure that all contracts <\$100,000 have been input.	Detective	Manual	Design Gap - See Observation and Recommendation #8
		210	Purchasing Services does not include contracts >\$100,000 missing from the Contract Management database as part of their monthly reporting to the Departments.	Detective	Manual	Design Gap - See Observation and Recommendation #8
110	What ensures that the information input in the Contract Management database is input timely and accurately?					
		200	Contracts are not input in contract management database completely, timely and accurately by the Departments.	Preventative	Manual	Operating Gap - See Observation and Recommendation #8
		205	Monitoring process is not in place to ensure that all contracts <\$100,000 have been input.	Detective	Manual	Design Gap - See Observation and Recommendation #8
		210	Purchasing Services does not include contracts >\$100,000 missing from the Contract Management database as part of their monthly reporting to the Departments.	Detective	Manual	Design Gap - See Observation and Recommendation #8
		215	Purchasing Services does not verify attributes in the Contract Management database to the source documents, as part of their random audit of contract files.	Detective	Manual	Design Gap - See Observation and Recommendation #8

RISK CONTROL MATRIXES – CONTRACT COMPLIANCE

Contract Compliance						
Risk #	Risk	Control #	Control	Control Type	Automation	Evaluation
115	What ensures that contract activities have not commenced until all compliance of all contract requirements?					
		200	Contracts are not input in contract management database completely, timely and accurately by the Departments.	Preventative	Manual	Operating Gap - See Observation and Recommendation #8
		205	Monitoring process is not in place to ensure that all contracts <\$100,000 have been input.	Detective	Manual	Design Gap - See Observation and Recommendation #8
		210	Purchasing Services does not include contracts >\$100,000 missing from the Contract Management database as part of their monthly reporting to the Departments.	Detective	Manual	Design Gap - See Observation and Recommendation #8
		215	Purchasing Services does not verify attributes in the Contract Management database to the source documents, as part of their random audit of contract files.	Detective	Manual	Design Gap - See Observation and Recommendation #8
		225	Purchasing Services performs random audits of contract files to ensure all documents required have been received.	Detective	Manual	Operating Gap - See Observation and Recommendation #8