



Internal Audit Report

BOCC Contract Management



Report Number: 2018.15

Date: October 11, 2019



BOCC Contract Management Audit



To: The Honorable Linda Doggett, Lee County Clerk of the Circuit Court & Comptroller

From: Tim Parks, Chief Internal Audit Officer/Inspector General

Date: October 11, 2019

Re: BOCC Contract Management Audit

Dear Ms. Doggett,

The Inspector General Department has completed an audit of BOCC Contract Management. Mabel Febles, CIGA, Senior Internal Auditor conducted this review.

This audit activity conforms to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General (Green Book)*.

The audit client's response is attached to this report. We wish to express our appreciation for the cooperation and assistance provided us by management and staff during this review.

This report will be posted to the Clerk of Courts website, www.leeclerk.org, under Inspector General, Audit Reports. A link to this report has been sent to the Lee County Board of County Commissioners and appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Tim Parks".

Tim Parks, CIA, CIG, CIGI,
Chief Internal Audit Officer/Inspector General
Inspector General Department

TJP/GK



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Executive Summary

The audit of the Lee County Board of County Commissioners (BOCC) Contract Management function was included in the 2018 BOCC Annual Audit Plan as a carryover from 2017.

The Procurement Management Office's (PMO) contract management risk factors were identified in a risk assessment questionnaire that was completed by department management. An entrance conference was held with management to discuss the results, confirm the audit's objective and scope, and to solicit current information regarding risks.

The objective of the audit is to ensure that vendors comply with key contract deliverables and that management controls over the contracts are adequate.

The tests performed included:

- Reviewing the procurement contract preparation approval process
- Reviewing contract monitoring processes
- Testing a selected contract to determine whether payments made in FY 17 and FY 18 were in compliance with the contract terms and conditions
- Testing for access to confidential personal information in one section of the Enterprise One financial reporting system (E1) and PMO's public access website
- Determining whether vendor complaints and protests were resolved
- Ensuring that the appropriate supporting documentation and/or appropriate authorized signatures were on file

Our conclusion is that management controls over procurement contracts are adequate. Procurement management is appropriately trained to perform the required tasks. We offer recommendations to add value and enhance the efficiency and effectiveness of the contract management processes.

The PMO was working on implementing new processes that include:

- Developing written operating procedures
- Requiring user department approvers within the Enterprise One financial reporting system (E1) requisition approval path to prevent and detect inaccurate or unmonitored entries

A control weakness regarding accessibility to confidential personal information was identified. All internal E1 users were able to view specific confidential personal information from a section of the application. We recommended that access controls to E1's confidential



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personal information be enhanced so that only users with a need to view the specific information are able to access it.

PMO's internal controls related to the contract management process were reviewed, and we identified instances in which enhancements could be considered to add value.

Background

According to Lee County Procurement Ordinance No. 18-22, *"The purpose of the Procurement function is to ensure that Procurement laws, rules and regulations are enforced and carried out under the highest ethical standards, to encourage full and open competition, and, to the extent possible, achieve the best value for the County."*

During the course of the audit, the PMO was tracking 1,028 active contracts consisting of 396 products/service contracts, 137 professional services continuing contracts, 261 Supplemental Task Authorizations (STA) and the rest are single-project contracts (construction, services, professional services, etc.; everything other than annual or STA). As of November 2018, the office had processed 161 Change Orders, STAs, and County Project Authorizations. At fieldwork conclusion, the PMO had 114 active projects in various stages of the solicitation process.

Objective, Scope, and Methodology

The objective of the audit was to ensure that vendors comply with key contract deliverables and that management controls over the contracts are adequate.

The audit scope focused on a review of the contract management process that included:

- Contract preparation approval process
- Contract monitoring processes
- Compliance with a selected contract related to payments made
- Confidential personal information management controls
- Vendor complaints and protests management
- Supporting documentation and appropriate signature requirements

The audit methodology was comprised of four steps:

- Preliminary Risk Assessment: A meeting was held with management to discuss the audit objective and scope and to solicit information regarding risks.



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- Planning: Audit procedures were developed based upon research, audit objective, scope, and the preliminary meeting.
- Field Work: Managers and employees were interviewed for insight on the operations. Evaluations and tests were conducted on operations and procedures to address and complete the audit fieldwork.
- Wrap-up: An Exit conference was held with management to discuss the audit results.

Observations and Recommendations

Future Implementations

The PMO was in the process of developing and implementing operating processes to enhance internal controls. The enhancements included:

- Developing written standard operating procedures
- Adding a second user department reviewer to the E1 requisition approval process

There were no written standard operating procedures associated with the procurement and contract processes. Written policies and procedures serve as a guide to agencies and their personnel to ensure consistency with the different contract and procurement processes.

According to Lee County Procurement Ordinance No. 18-22, the user department has the authority to procure, and the department director has the authority to approve purchases that do not exceed \$49,999.99. Not all departments have an approver for authorizing a purchase requisition in the Enterprise One financial reporting system (E1) requisition approval process. The risk is a requisition could be opened without the user department director's knowledge.

Recommendation

We recommend that the PMO continues with the implementation of:

- Developing written operating procedures for consistency and training guidance
- Adding a user department approver to the E1 requisition approval path to prevent inaccurate or unmonitored entries

Continuous Insurance Coverage

Contracts and solicitation documents state under the *Vendor's Insurance* section that "*Vendor shall, on a primary basis and at its sole expense, maintain in full force and effect, at all times during the life of this Agreement, insurance coverage...*"



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A review was conducted to determine if insurance was current and whether supporting documentation was received. Out of 41 contracts reviewed, ten (24%) did not include proof of active insurance coverage.

Recommendation

We recommend a more effective follow-up methodology be implemented to encourage vendor compliance with providing proof of continuous insurance coverage.

Confidential Personal Information

The PMO must obtain confidential personal information from vendors in order to conduct business with the County.

We tested to determine whether any confidential personal information was visible to internal users that had no business need. It was determined that confidential personal information was visible to all internal users who had access to E1.

Excessive user access to confidential personal information increases the risk of unauthorized usage and dissemination of information.

Recommendation

We recommend that the appropriate personnel be contacted to discuss the modifications necessary to secure and limit access to confidential personal information.

Solicitation/Contract Process

During the solicitation process, the verbiage included in several documents specified that signatures must be made by a corporate authorized representative.

The "Signatory Authorization Affidavit" form is utilized for delegating signature authority to a specific individual(s) on behalf of their company. This form is completed at contract execution, not during the solicitation process.

There were solicitation disclosure forms that were signed without consideration whether the person signing was authorized. The risk is that a non-authorized representative could sign solicitation documents.

Recommendation



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We recommend that a process be implemented to ensure that the representative signing solicitation documents is authorized to do so.

Solicitation Documents

As part of the solicitation process, there is documentation that must be completed and included in the contract file.

Ten contract files were reviewed to determine whether the required solicitation documents were completed and included in the file. There were three contract files that had incomplete or missing documentation.

The risks of incomplete or missing documentation may include:

- Financial loss
- Regulatory non-compliance
- Legal liabilities
- Timeliness

Recommendation

We recommend that written procedures be developed outlining the solicitation supervisory review process to mitigate the risk of incomplete and missing documentation in the contract file.

Purchase Order Tracking

According to Lee County Procurement Ordinance No. 18-22 3.10 Single Source, states that “*When a Purchase exceeds the threshold amount for Tier 3, the item will be placed on the agenda for Board approval and certification that the Vendor has been determined to be a Single Source.*” The threshold amounts for tier 3 is between \$50,000- \$99,999.99.

A sample of eleven vendors with purchases that exceeded Tier 3 was reviewed. It was determined that at least two purchases from two vendors needed to go through the Single Source process. In addition, one service agreement did not include an expiration date.

Recommendation



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We recommended that PMO provides oversight and monitor purchase orders to provide quality assurance and mitigate the risk of non-compliant purchases.

Contract Monitoring

A survey of 25 project managers and fiscal employees was conducted. The purpose of the survey was to document the process they followed to ensure that vendors are complying with key contract deliverables and whether written procedures were available.

There were nine responses consisting of:

- One had written procedures
- Eight described the monitoring procedures they followed
- One believed that the PMO would be the individuals to contact

Recommendation

We recommend that the PMO encourage user departments to document the process they follow to ensure that vendors are complying with key contract specifications and deliverables.

BOCC Contract Management Audit – Department Response

The Department of Procurement Management is grateful to the Lee County Clerk of Court Inspector General Department for its staff's thorough and professional audit of contract management for the Board of County Commissioners. The insight into this department's processes and procedures provided by the audit process and the resulting report are extremely valuable. As a matter of project closeout, Procurement Management offers the following responses to findings detailed in the report.

Audit Recommendation	Procurement Management Response
<p><i>We recommend that the PMO continues with the implementation of:</i></p> <ul style="list-style-type: none"> • <i>Developing written operating procedures for consistency and training guidance</i> • <i>Adding a user department approver to the E1 requisition approval path to prevent inaccurate or unmonitored entries</i> 	<p>As stated in the audit report, this department is currently drafting and implementing Standard Operating Procedures (SOPs) for the various functions under the Procurement umbrella. This is a significant undertaking that must be accomplished in tandem with all other business handled by this department. The objective is to write, finalize and implement six SOPs each calendar year, and revise these as required.</p> <p>Procurement Management is working with the County's departments to have second user department reviewers added to the E1 purchase requisition approval process. Some departments have made this change, and others are in the process of establishing a second reviewer.</p>
<p><i>We recommend a more effective follow-up methodology be implemented to encourage vendor compliance with providing proof of continuous insurance coverage.</i></p>	<p>Tracking and managing vendors' continuous insurance coverage is an area of responsibility that was only recently initiated by this department. Previously, coverage was verified at the issuance of a purchase order or execution of a contract, but there was no mechanism to track its expiration and ensure that coverage was in place throughout the year or the contract term. Now, vendor insurance is entered into a contract management system and expiration dates are tracked, but it is an incredible volume of work. Because the process is new, and the number of insurance coverages tracked is so great, improvements are being continuously sought to make follow-up more effective and promote better vendor compliance.</p>
<p><i>We recommend that the appropriate personnel be contacted to discuss the modifications necessary to secure and limit access to confidential personal information.</i></p>	<p>Procurement Management will work with the IT department of the Lee County Clerk of Court to make the necessary changes/adjustments to E1 to secure and limit access to confidential personal information as described in the report.</p>

<p><i>We recommend that a process be implemented to ensure that the representative signing solicitation documents is authorized to do so.</i></p>	<p>Bids and proposals submitted by vendors in response to a solicitation are not legally binding documents until they are incorporated into a contract. Forms signed by awarded vendors and submitted with their bids and proposals are incorporated into the final contract document. All County procurement contracts are executed following signature authorization guidelines established by the County Attorney’s Office, which ensures that contracts are executed by the vendor’s representative with proper authority to bind the company. Procurement Management will continue to consider improvements to the signature authorization process as we continue to review and provide updates/improvements to the operating procedures, documents, and with implementation of advanced technologies available.</p>
<p><i>We recommend that written procedures be developed outlining the solicitation supervisory review process to mitigate the risk of incomplete and missing documentation in the contract file.</i></p>	<p>Procurement Management has implemented the use of a thorough solicitation process workflow department wide that functions as a checklist for the completion of the project and its corresponding file, which includes all required forms. Additionally, SOPs are being developed to provide a more in-depth detailed description of the procedures and tasks to be accomplished during the solicitation review and documentation process.</p>
<p><i>We recommended that PMO provides oversight and monitor purchase orders to provide quality assurance and mitigate the risk of non-compliant purchases.</i></p>	<p>Procurement Management initiated audits twice yearly of Countywide spends to spot check expenditures outside the formal solicitation process, ensure adherence to Board authorization, and to identify any red flags or opportunities to formally solicit goods or services.</p>
<p><i>We recommend that the PMO encourage user departments to document the process they follow to ensure that vendors are complying with key contract specifications and deliverables.</i></p>	<p>Procurement Management will send out guidance to County departments explaining their responsibility for the project management process and encouraging departments to document the process they follow to ensure contract compliance.</p>