

**Follow- Up Review
of
County Field Purchase Order
Processing Procedures**

**Report by the
Office of County Comptroller**

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October 23, 2000

Mel Martinez, County Chairman
And
Board of County Commissioners

We have conducted a follow-up to the Review of County Field Purchase Order Processing Procedures. Our original review included the period of July 1, 1994 to October 31, 1994. Testing of the status of the previous Recommendations for Improvement was performed for the period September 1, 1999 through November 30, 1999. Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review. In addition, we received responses to certain Recommendations For Improvement and incorporated them herein.

We appreciate the cooperation of the personnel of the Orange County Purchasing and Contracts Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Johnny Richardson, Chief, Purchasing and Contracts Division

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS FOR
IMPROVEMENT**

**FOLLOW-UP REVIEW OF COUNTY FIELD PURCHASE ORDER PROCESSING PROCEDURES
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the County adopt a policy requiring price quotes for purchases in excess of \$200.				X
2.	We recommend Purchasing:				X
A)	Obtain Board approval for FPO limits as practiced.				X
B)	Ensure FPO purchases classified as an emergency meet the requirements of an emergency as defined in the Procurement Ordinance.				X
3.	We recommend Purchasing request Board approval to increase the FPO limit to \$1,000 for all departments.	X			
4.	We recommend Purchasing work with the appropriate parties to develop written FPO processing procedures. This policy should address the sharing of passwords as well as the responsibilities of persons during the preparation process.	X			

INTRODUCTION

INTRODUCTION



Scope and Methodology

The audit scope consisted of a follow-up to the previous Review of County Field Purchase Order Processing Procedures dated June 1995. Testing of the status of the previous recommendations was performed for the period September 1, 1999 through November 30, 1999.

The audit methodology included a review of County policies to determine if a policy was adopted requiring price quotes for purchases in excess of \$200.

To ensure that County practices concerning FPO limits were consistent with County Administrative Regulations, we interviewed appropriate personnel regarding County practices and reviewed County Administrative Regulations.

To determine if Purchasing worked with the appropriate departments to write field purchase order processing procedures addressing the sharing of passwords as well as the responsibilities of persons during the preparation process, we interviewed management and reviewed applicable documentation.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**

1. Price Quotes Should Be Required For Purchases In Excess Of \$200.

In the previous audit, we found that quotes were either not obtained or not documented for 97 of the 100 purchases in our sample. As a result, many purchases continued to be made from one vendor without benefit of price quotes from competing vendors. Purchasing procedures allow purchases less than \$1,000 to be made without obtaining any competing price quotes.

We Recommend the County adopt a policy requiring price quotes for purchases in excess of \$200.

Status:

Not Applicable. During our review, we found that the County Purchasing Manual only requires price quotes for purchases in excess of \$1,000. While we acknowledge requiring price quotes for every purchase in excess of \$200 is no longer needed in today's purchasing environment, the Manual should encourage price quotes for purchases between \$500 and \$1,000, when practical. Competition helps to ensure the best product is obtained at the best price.

In addition, we found two field purchase orders that should have been put on release orders because vendors had term contracts with the County. On one field purchase order, the County was overcharged \$163.35 for labor services at the Orange County Convention Center because prices were not in accordance with the term contract.

We Recommend the County adopt a policy encouraging price quotes for purchases between \$500 and \$1,000. In addition, Purchasing should monitor field purchase orders closely to ensure that field purchase orders are not used for purchases under term contracts.

Response from Purchasing:

Concur. We will revise the manual to encourage quotes to be obtained for purchases between \$500 and \$1,000.

2. The County Should Modify Its Policy For Usage of Field Purchase Orders

In the previous audit, we found that current County Purchasing policy allows FPOs up to \$500 for all County departments, and up to \$1,000 for items that constitute an emergency for selected departments. A total of \$520,000 was expended with FPOs during our audit period. During our review of these policies/procedures, we had the following concerns:

- A) Section 6.09.01, Administrative Regulations limit FPO purchases for County departments to \$200. County practices should be consistent with County Administrative Regulations. We found that a revision to increase the approval limit had been prepared and submitted for Board approval but, to date, has not been approved.
- B) In Fiscal Year 1994, a total of 892 FPOs were issued between \$500 and \$1,000 for a total cost of \$590,000. In our sample, we reviewed 11 FPOs between \$500 and \$1,000 and found that none were emergencies as defined by the Procurement Ordinance.

We Recommend Purchasing:

- A) Obtain Board approval for FPO limits as practice d.
- B) Ensure FPO purchases classified as an emergency meet the requirements of an emergency as defined in the Procurement Ordinance.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-up Review of the County Field
Purchase Order Processing Procedures

Status:

- A) Not Applicable. Administrative Regulation No. 6.09.01 was repealed. Current approval limits are provided for in the Purchasing Manual.
- B) Not Applicable. All FPOs are under the same limits. Higher limits are not maintained for emergency purchases.

3. The Purchasing Department Should Request Board Approval To Increase FPO Limits To \$1,000 For All Departments.

In the previous audit, we found that during the fiscal year 1994-95, 1,974 Purchase Orders (POs) between \$500 and \$1,000 were issued totaling \$1,416,463. Based on the data received from Purchasing, the processing cost for a PO is estimated to have been \$75, while the FPO processing costs were between \$25 and \$38.

We Recommend Purchasing request Board approval to increase the FPO limit to \$1,000 for all departments.

Status:

Implemented. The previous FPO limit of \$200 was in Administrative Regulation No. 6.09.01, which was approved by the Board. This Regulation was repealed by the Board in 1996. The Current FPO limit of \$1,000 is documented in the purchasing manual.

4. Written Electronic FPO Processing Procedures Should Be Prepared

During our previous review of the electronic Processing of FPOs, we noted the following concerns:

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



- A) There were no written policies regarding the electronic processing of FPOs.
- B) We were informed that some department managers (or designees) revealed their LGFS password identification to a member of their staff to obtain more efficient FPO processing. County data processing security procedures forbids the sharing of passwords.

We Recommend Purchasing work with the appropriate parties to develop written FPO processing procedures. This policy should address the sharing of passwords as well as the responsibilities of persons during the preparation process.

Status:

Implemented. During our review, we found that there are written procedures on the processing of FPOs in the County's LGFS (computerized accounting program) Training Manual that addresses the responsibilities of persons during the FPO preparation process. In addition, password responsibility is addressed in the form assigning a new password to an employee by the Orange County Information System Services Division.

