



OFFICE OF INTERNAL AUDIT

REPORT TO THE BOARD OF SUPERVISORS

Pinal County Facilities Management

Procurement Card Audit

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Executive Summary

The Office of Internal Audit has completed an audit of procurement card use by employees of the Pinal County Facilities Management Department (Facilities). Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards.¹

The purpose of our audit was to determine if procurement cards are appropriately managed and properly utilized. Specifically our objectives were to determine if:

- Purchase card transactions were made in accordance with the Pinal County Procurement Code, Pinal County policies and procedures, and all applicable laws and regulations;
- Internal controls over purchasing card use were adequately designed to provide reasonable assurance that improper purchases would be prevented, or would be detected, in the normal course of business;
- Purchases were made for a legitimate government need.

After analyzing and testing monthly p-card statements from February 2005 to April 2010 for employees within the Facilities Management department, and auditing other aspects of the program, our overall conclusion is significant internal control weaknesses have likely existed over the program since its inception and continue to exist. We also concluded these weaknesses, and the lack of controls over fixed assets identified in a previous audit, could have resulted in unauthorized purchases that would not be detected in the normal course of business.

Specifically we found:

- The Facilities department does not require p-card purchase documentation with item descriptions.
- There is no departmental requirement for employees to obtain authorization or approval for any purchase.
- Employee p-card purchases are not reconciled to corresponding job or work orders.

¹ <http://www.gao.gov/govaud/ybk01.htm>

- Facilities does not tag, track or inventory assets purchased with p-cards and the department does not retain a Maintenance Supervisor to coordinate an inventory of supplies and equipment
- Additional training is needed to establish comprehensive departmental control procedures for the p-card process

Our recommendations for improving controls over the p-card process and related department procedures include:

1. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, uniform practices for acceptable documentation of employee purchase card transactions, including:

- a. Requiring employees to ensure receipts, and other supporting documents, for purchase card transactions include a description of each item purchased. If necessary, item descriptions should be handwritten by the employee on the documents.*
- b. Providing employees with a document file (e.g. folder, box, plastic bag) to protect purchase receipts and documents prior to presenting to administrative staff.*

2. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, policies and procedures for a formal purchase authorization process that includes:

- a. A requirement that all purchases over a pre-determined dollar limit receive documented approval by an employee's Supervisor or the Department Director prior to purchase, and/or consider establishing single purchase limits.*
- b. A requirement to obtain prior verbal authorization for all emergency purchases.*

- c. *A requirement that Supervisors with knowledge of resources used at job sites review and approve/sign monthly purchase card statements.*
 - d. *A requirement that a Supervisor or the Director review and approve Administrative staff's monthly p-card statements. Discontinue the practice of allowing Administrative staff to review and approve their own monthly p-card statements.*
 - e. *A requirement that all employees review and sign their own monthly statements.*
 - f. *Periodic review of monthly statements by Management to determine if employees' individual monthly spending limits need to be adjusted.*
3. *The Facilities Director should consider establishing, in compliance with existing Pinal County purchasing regulations, open purchase orders with vendors used to purchase higher dollar items (i.e. air conditioners, etc.) or frequently purchased items.*
4. *The Facilities Management Director should require random supervisory inspection of job sites and resources utilized; and require inspection of all job sites when resources expended exceed a defined dollar amount.*
5. *The Facilities Management Director should require a timely reconciliation of purchases to a corresponding job or work order. The reconciliation would not include indirect supplies purchased.*
6. *The Facilities Management Director should restrict purchasing of non-emergency stock materials (refrigerant, compressors, motors, etc.) to a Maintenance Supervisor or designated Inventory Manager. Purchases of emergency stock items over a pre-determined dollar amount should be approved*

by the Inventory Manager or the department Director. This would also limit the frequency of employee trips to vendor locations.

- 7. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, comprehensive inventory policies for durable goods purchased for department operations, regardless of the purchasing method used (requisition or p-cards), that include tagging or bar coding, secure storage, controlled distribution and thorough accounting and reconciliation. If necessary, the Director should assign a Maintenance Supervisor to assist with these duties.*
- 8. To maintain better control over tool purchases, the Facilities Management Director should issue a set of basic tools to employees and provide replacement tools when needed. More costly power tools already purchased by individual employees should be inventoried and monitored by the Maintenance Supervisor or Inventory Manager.*
- 9. The Facilities Director should work with County Management to designate an area that can be prepared as an inventory receiving/storage/distribution location.*
- 10. The Facilities Management Director should research the capabilities of the Maintenance Connection software application purchased by Facilities and determine if the application could be more effectively utilized to manage and track materials and labor resources. Maintenance Connection contains a bar code module.*
- 11. The Facilities Management Director should regularly assess the training needs for all department employees, and work with appropriate County departments to ensure employees receive all identified training.*

We would like to thank the management and staff of the Pinal County Facilities Management Department and the Pinal County Finance Department for their assistance and cooperation during the course of this audit.

The following report provides additional details of our audit observations and recommendations.

Lori Stripling
Pinal County Internal Audit Officer

Introduction

The Office of Internal Audit has completed an audit of the Pinal County Facilities Management department procurement card program. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards². These standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives.

Audit Objectives

The main goal of our audit was to determine if Facilities has established adequate internal controls over the department's purchasing card program. Specifically, our objectives were to:

- Document and evaluate whether purchase card transactions were made in accordance with the Pinal County Procurement Code, Pinal County policies and procedures, and all applicable laws and regulations;
- Determine if internal controls over purchasing card usage were adequately designed to provide reasonable assurance improper purchases would be prevented, or would be detected, in the normal course of business;
- Determine if purchases were made for a legitimate government need.

Audit Scope and Methodology

The scope of our audit was limited to purchase card use by Facilities employees from February 2005 through April 2010. To accomplish our objectives, we:

- Reviewed Facilities' p-card policies and procedures to ensure compliance with Pinal County procurement policy
- Interviewed key Facilities department staff
- Reviewed the process for monitoring assets purchased with p-cards and observed placement of identified p-card assets at county facilities
- Analyzed p-cards records for Facilities employees (monthly statements, receipts, invoices) from February 2005 through April 2010.

² <http://www.gao.gov/govaud/ybk01.htm>

Background - Facilities Procurement Card Program

The Facilities department provides custodial and maintenance services for county employees and buildings throughout the county. The department also provides construction modification and repair services when needed. The department has a staff of 73 full-time employees and a FY2010/2011 authorized budget of \$6,283,552.

At a Pinal County Board of Supervisors regular meeting on September 4, 2002, the former Pinal County Finance Director announced the Facilities department had started a purchasing card (p-card) pilot program. A newly adopted Procurement Policy allowed an exemption from the Pinal County Purchasing division (Purchasing) requisition process for p-card purchases.

Due to the controls involved, making a purchase through the Purchasing requisition process can be time and labor intensive. First, a department employee must make a request to purchase an item by entering the request into the requisition module of the Pinal County Finance computer application.³ After receiving documented approval from appropriate department personnel to make the purchase, the request is forwarded to Purchasing, and a purchase order is approved with the appropriate vendor. Next, the department employee completes the purchase and the vendor bills the Pinal County Finance department. The Finance department receives and pays the bill after receiving confirmation the purchase has been received by the ordering department.

On July 23, 2004, the Board of Supervisors approved a County-wide procurement card program and awarded the contract to Bank of America.⁴

County departments managed the p-card program for over three years without a county policy for p-card procedures, until the current County Finance Department Director implemented an accounting policy establishing uniform procedures for the P-card program in October 2007.

³ J D Edwards/AS400

⁴ RFP 0304-036

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

Overall Audit Conclusion

After analyzing and testing monthly p-card statements from February 2005 to April 2010 for Facilities employees and auditing other aspects of the p-card program, our overall conclusion is that significant internal control weaknesses have likely existed over the program since its inception. Also, we concluded these weaknesses, and the lack of controls over fixed assets identified in a previous audit, could have resulted in unauthorized purchases that would not be detected in the course of normal business.

Previous Audits

The following internal control weaknesses were identified in the *Facilities Management Safeguarding of Inventory and Supplies* audit released by the Pinal County Internal Audit department in May 2010:

- There are no written policies and procedures providing guidance for inventory and supply management or disposal.
- Physical inventories of materials and surplus supplies are not conducted and inventory records are not maintained.
- Staff members use county-owned tools, supplies, equipment and machinery for personal repairs or other uses.
- Staff-owned tools, supplies, equipment, machinery and vehicles are used, stored, repaired and maintained on County property.

During the course of our audit of Facilities procurement card use, Internal Audit examined p-card records for Facilities department employees from February 2005 to April 2010. As noted earlier, a County-wide Procurement Card Policy was not established until October 2007. Consequently, to present more relevant and timely recommendations to Facilities department management, the results of our review are presented in two sections: (1) Facilities Procurement Card Program 2002-October 2007 and (2) Facilities Procurement Card Program October 2007-Present.

Audit results and recommendations concerning records from October 2007 to April 2010 are presented in the Audit Results section of this report beginning on page 14. The information provided in the report section below, Facilities Procurement Card Program 2002-2007, is presented to support our Overall Audit Conclusion that significant internal control weaknesses have likely existed over the Facilities Procurement Card program since its inception in 2002.

Facilities Procurement Card Program 2002-2007

Pinal County began a pilot procurement card program in the Facilities Management department in 2002 and established a county-wide p-card program in August 2004.

Due to retention requirements in Arizona General Records Retention Schedules⁵ p-card records prior to February 2005 have been destroyed. The retention schedule for Accounts Payable and Receivable records, including credit card authorization records and other related records, is five years after the records were created or received.

After analyzing p-card records for Facilities employees from February 2005 to October 2007, we determined:

- There were no formal, or written, department policies and procedures developed for the Facilities Management department procurement card program.

⁵ #000-10-25

- There was no evidence of Management or Supervisory review of any purchases or monthly statements. Monthly statements were submitted to the Finance department with a Director's signature stamp on the Payment Request Form. Administrative Staff, delegated the responsibility for review and approval of monthly statements,⁶ had little or no knowledge of work completed or the job site resources used.
- Facilities department employees spent approximately \$500,000 per calendar year; or nearly \$1,500,000 from 2005-2007 on p-card purchases.
- In 2005, nine of the forty-one employees with p-cards spent over \$20,000 each. The highest total for any one employee was \$58,273.
- Employees were not required to submit information explaining the business purpose of their purchases.
- Purchases were not reconciled to work orders.
- Facilities did not tag or track any large assets, (air conditioning units, etc.) purchased with p-cards.
- None of the items purchased, such as power tools and various other tools and equipment, were ever inventoried or tracked.
- We conducted limited testing and determined there was no supporting documentation for some transactions. We reviewed monthly statements from May 15, 2007 to October 15, 2007 for five, randomly chosen, employees and compared the total number of transactions to the number of transactions with no receipts or submitted documentation. Ninety-nine (99) of the three hundred sixty (360) transactions we reviewed (or 27.50%) did not have receipts. The total cost of these purchases was \$11,667.24.
- Receipts filed as supporting documentation for hundreds of transactions did not show a description of the items purchased. In one instance, a gift receipt having no dollar amount was submitted as supporting documentation for a purchase at Fry's Electronics.

⁶ Discussion with office staff July 28, 2010

The 2002 County Procurement Policy⁷ required the “Director of Facilities Management must approve all repairs to or maintenance of buildings and other facilities.” Facilities personnel noted an Internal Work Order Response form was completed for work orders at that time and provided a blank copy of the form. The form had a field for “Work Assigned By_____.”

According to staff, however, these documents have all been destroyed and Internal Audit was unable to reconcile any procurement card purchases to work order material descriptions.

⁷ Statement of Policy 7C

Audit Results - Facilities Procurement Card Program 2007- present

A. Facilities does not require p-card purchase documentation with item descriptions

Supporting documentation submitted by Facilities employees to substantiate p-card transactions improved after the county-wide procurement card policy was adopted on October 10, 2007; however, Internal Audit identified persistent weaknesses with the p-card process and asset management.

Section IV (1) of the Procurement card policy states, “The cardholder is responsible to obtain a receipt, invoice or confirmation for each transaction. The receipt, invoice or confirmation will show itemized totals, tax, shipping (if applicable) and date.”

Requiring a receipt, invoice, or confirmation of each transaction, with an itemized description is necessary to verify a legitimate business purpose for each item purchased and to determine if a prohibited item has been purchased. Section II (1) of the procurement card policy states P-cards may not be used to purchase:

- Alcohol
- Any type of service
- Personal items

The receipts in **Exhibit A** are examples of actual receipts accepted as documentation for p-card purchases. The receipts do not include information identifying the actual item purchased.

Some documentation submitted (**Exhibit B**) is also difficult to read⁸. Employees may keep purchase documentation unprotected in their work vehicles for some time before submitting the documentation to Administrative staff who compile statements for payment.

⁸ Receipt submitted 7-15-05

EXHIBIT A

Orbital
Virtual Terminal | Review | View Order

Review - View Order
View the order information below

Merchant DBA: Johnson Controls, Inc.
Merchant ID: 800800003483
Date/Time: 09/16/2008 11:10:15 EDT

Terminal ID: 00
Currency Code: US

CREDIT CARD DATA

| | | |
|-------------------|--|-----|
| Credit Card Type | Mastercard | Exp |
| Card Number | 340582319433425 | Ca |
| Amount | 7,232.27 | |
| Order ID # | 3807181489 | |
| Street | 330117205701 1006055 | |
| City | AMANDAWALTEMPATH | |
| State | | |
| Postal Code | 85232 | |
| Order Description | BILL CALLOWAY, KINLAID COUNTY FINANCE DEPARTMENT | |
| Soft Descriptor | | |

Transaction Date: 2008-07-21 11:17:11
Transaction Reference Number [TxRefNum]: 488481D7774FDC29271242C23C7A025862AD548F
Transaction Reference Index [TxRefIdx]: D
Transaction Creation User ID: XNL
Transaction Last Modification User ID: XNL

CLIMATE INC
1802 N 23RD AVE.
PHOENIX AZ 85009

DATE: 02/18/06 TIME: 09:42:12
ED#: 7013904286 ST#: 0001 TERM: 0001
S-T-L-E-S D-R-R-F-T

REF#: 0002
BATCH#: 150
CD TYPE: MC
TR TYPE: MP
INVOICE #: 28122

TOTAL: \$988.24M

ACT#: 488481D7774FDC29271242C23C7A025862AD548F
AP: 283354
CUST ID: TAC: 8.00
P-CODE: 0000

CARDHOLDER ACKNOWLEDGES RECEIPT OF
GOODS AND/OR SERVICES IN THE AMOUNT OF
THE TOTAL SHOWN HEREON AND AGREES TO
PAYMENT THE OBLIGATIONS SET FORTH BY THE
CARDHOLDER'S AGREEMENT WITH THE ISSUER.

FOR COPY-RECORDING (OPTION COPY-CUSTOMER)

EXHIBIT B



Recommendations

1. *The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, uniform practices for acceptable employee purchase documentation including:*
 - a. *Requiring employees to ensure receipts, and other supporting documents for p-card purchases, have a description of each item purchased. If necessary, item descriptions should be handwritten by the employee on the documents.*
 - b. *Provide employees with a document file (e.g. folder, box, plastic bag) to protect purchase receipts and documents prior to presenting to administrative staff.*

B. There is no departmental requirement for employees to obtain authorization or approval for any purchase.

Section I (7) of the Policy section of the Pinal County Procurement Card Policy requires, "...the signature of the Department Head, or designee, (on the monthly procurement card statement) certifies that ... no unauthorized purchases were made."

In calendar year 2008, forty-five (45) Facilities employees had procurement cards, and more than three thousand (3,000) transactions were conducted by these employees using their p-cards. Each employee has an individually assigned monthly spending limit on his/her card, ranging from \$500 to \$13,000, and there are no single transaction limits for any County p-cards. From January 2008 to April 2010 Facilities employees' p-card transactions totaled approximately \$1 million.

We discussed the current p-card authorization and approval process with selected Facilities employees and found:

- There is no requirement for Facilities department employees to obtain prior authorization or approval for any purchase, regardless of cost.
- Employees are not required to review and/or sign their monthly procurement card statements verifying and certifying all purchases were necessary, met procurement policies, and were authorized.
- The Facilities Director does not review and sign monthly statements and has delegated responsibility for their review to administrative office staff.
- Administrative personnel reconcile their own monthly statements with no supervisory review.
- Administrative personnel responsible for reconciling monthly statements have no knowledge of job site resources used.

Also, Section IV (11) Documentation, Reconciliation and payment procedures; requires, “ The Department Head (or designee) because of their knowledge of the job responsibilities of cardholders, are required to review all cardholder purchases in order to determine if the items purchased were for Official Use and in accordance with County policy.”

The Facilities Director admitted Administrative personnel, with no knowledge of appropriate materials needed for job or work orders, have been designated to review and determine if items purchased were for Official Use.

Recommendations

2. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, policies and procedures for a formal purchase authorization process that includes:

- a. A requirement that all purchases over a pre-determined dollar limit receive documented approval by an employee's*

Supervisor or the Department Director prior to purchase, and/or consider establishing single purchase limits.

- b. A requirement to obtain prior verbal authorization for all emergency purchases.*
- c. A requirement that Supervisors with knowledge of resources used at job sites review and approve/sign monthly purchase card statements.*
- d. A requirement that a Supervisor or the Director review and approve Administrative personnel's monthly p-card statements. Discontinue the practice of allowing Administrative staff to review and approve their own monthly p-card statements.*
- e. A requirement that all employees review and sign their own monthly statements.*
- f. Periodic review of monthly statements by Management to determine if employees' individual monthly spending limits need to be adjusted.*

C. Employee p-card purchases are not reconciled to corresponding job or work orders

The Facilities Management department has not established a consistent reconciliation process to verify all purchases correspond with a work or job order and does not require Supervisors to inspect job sites to confirm materials purchased are used or installed.

While assembling supporting documentation for monthly p-card statements, Facilities administrative personnel have attempted to reconcile p-card purchases with corresponding job or work orders.

The process has been difficult because there have been no consistent procedures established to document materials used at job sites and Facilities allows employees to purchase items not directly related to specific work or job orders. Employees regularly purchase supplies to stock their county-issued work vehicles (tools, batteries, gloves, etc.) and department stock⁹ (compressors, refrigerant, motors, etc.). Department management does not approve or monitor vehicle and department stock purchases, and there is no designated area to store stock purchases. (This is discussed in more detail under finding D). The receipts in Exhibit C are examples of stock purchases.

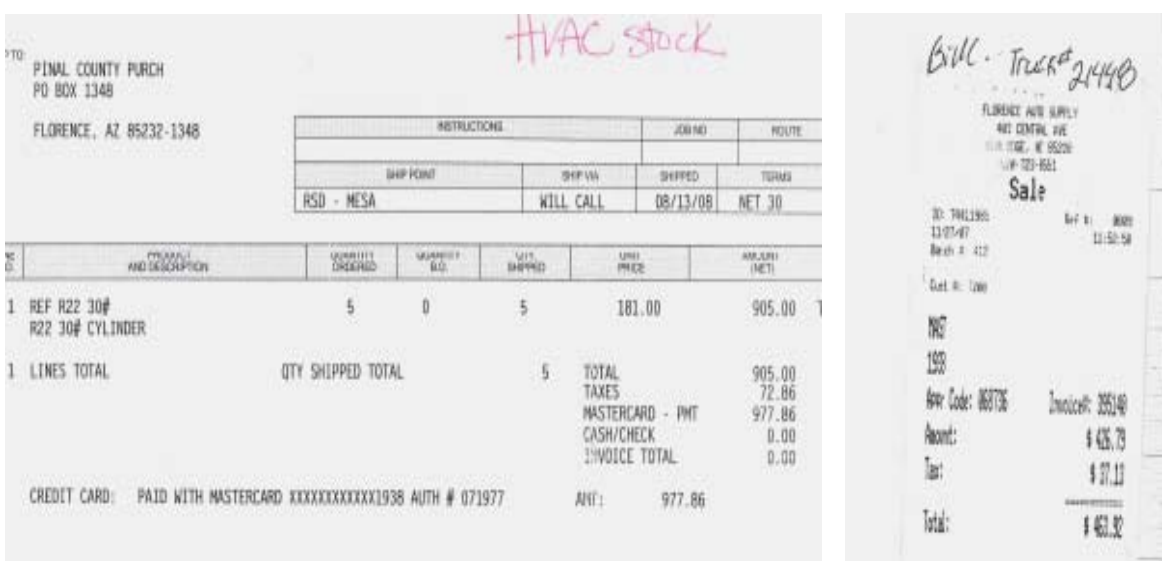


EXHIBIT C

In response to the previous audit of Facilities Management conducted by Internal Audit, *Facilities Management Safeguarding of Inventories and Supplies*,¹⁰ Facilities Management developed two draft policies and procedures documents¹¹ with the purpose of, “...establishing proper procedures used in the purchasing/tracking of parts/materials/and equipment...”

The draft policies direct, “Supervisory and Administrative staff shall conduct random spot checks of receipts and work orders each month...”

⁹ Stock refers to materials temporarily stored for use within a brief time

¹⁰ Audit released May 2010

¹¹ (1) Inventory policy for emergency inventory items, rotating stock, equipment pending installation and non-stock items used in the field, and (2) County property management /storage, repair, and maintenance of personal items on Pinal County property

The Facilities Management department is commended for drafting new policies to improve control over materials purchased; however, the new draft polices do not include:

1. Required supervisory inspection of job sites.
2. Required, comprehensive and consistent reconciliation of purchases to corresponding job and work orders.
3. Restriction on the purchase of non-emergency stock materials or the frequency of purchasing materials.

During discussions with the Director and staff we also determined Facilities has not considered setting up open purchase orders with frequently used vendors. The two vendors most frequently used by Facilities employees for p-card purchases are True Value Hardware (Florence) and Home Depot. From July 1, 2007 to June 30, 2009 Facilities employees spent approximately \$313,000 with these two vendors.

Further, frequent trips by employees to vendors to purchase items that could be maintained as stocked goods are an inefficient use of employee time.

Recommendations

- 3. The Facilities Director should consider establishing, in compliance with existing Pinal County purchasing regulations, open purchase orders with vendors used to purchase higher dollar items (i.e. air conditioners, etc.) or frequently purchased items.*
- 4. The Facilities Management Director should require random supervisory inspection of job sites and resources utilized; and require inspection of all job sites when resources expended exceed a defined dollar amount.*

5. *The Facilities Management Director should require a timely reconciliation of direct material purchases to a corresponding job or work order. The reconciliation would not include indirect supplies purchased.*
6. *The Facilities Management Director should restrict purchasing of non-emergency stock materials (refrigerant, compressors, motors, etc.) to a Maintenance Supervisor or designated Inventory Manager. Purchases of emergency stock items over a pre-determined dollar amount should be approved by the Inventory Manager or the department Director. This would also limit the frequency of employee trips to vendor locations.*

D. Facilities does not tag, track, or inventory assets purchased with p-cards and the department does not employ a Maintenance Supervisor to coordinate an inventory of supplies and equipment.

According to documents provided by Facilities, the department maintains 1,071,653 square feet of space at 63 locations in the county. Facilities employees use their p-cards to purchase assets to support and maintain these buildings. From February 2005 to April 2010, Facilities department employees spent approximately \$2.5 million using p-cards. After discussion with department management, we determined the Facilities department has never tagged, or tracked, any asset purchased with a p-card.

There have been a few occurrences when the Finance department identified and sent an asset tag to the Facilities department for an asset purchased with a p-card, because it was required to be capitalized. The Finance department established a capital asset tagging and tracking system to ensure compliance with various accounting and financial reporting standards and regulations; however, the capitalization process should not be relied on by the Facilities department as an inventory control method.

Departments with substantial asset purchases, such as Facilities, need to implement an asset control process to help Finance monitor capital assets for financial reporting and to provide

adequate controls over resources to comply with County procurement card policy (Policy II8) which states, “Departments are responsible to ensure that assets purchased with p-cards are assigned Pinal County asset tags.”

The Facilities department recently developed a draft inventory policy that allows the Facilities Director to designate an Inventory Manager and assigns the following duties to the Inventory Manager:

- Emergency replacement equipment, rotating stock, equipment pending installation and non-stock (surplus) items “...shall be managed by the Inventory Manager and shall be inventoried annually.”
- Receiving notification from employees when equipment, parts and materials are used from stock.
- After notifying the Inventory Manager, employees are required to document (input) stock usage into the department’s Maintenance Connection¹² computer application under their work order.

The job duties assigned to an Inventory Manager in the draft policies are not sufficient to provide comprehensive control over the Facilities purchasing and inventory process. The Pinal County Human Resources department established a Maintenance Supervisor position (currently unused by Facilities) with a more comprehensive listing of inventory duties. Duties for this position include:

- Supervise facilities construction, maintenance and repair
- Coordinates the purchase and inventory of supplies and equipment
- Develops training programs for employees within the department
- Participates in departmental reviews on operations and planning
- Prepares and maintains records and reports

¹² The department implemented a computer application, Maintenance Connection, to organize work order requests and preventative maintenance schedules.

http://www.maintenanceconnection.com/mcv18/online/mc_home.htm

An accurate inventory of department resources is also difficult because the department does not furnish a basic set of tools for employees and does not track tools and other truck supplies purchased by employees.

The new draft policy directs employees to, "...perform random weekly cycle counts on their specified storerooms and assigned service vehicles to ensure inventory accuracy on tools and parts." Allowing employees to purchase, and inventory, their own tools is neither an independent nor impartial method of inventory control and does not provide an adequate segregation of duties for this function.

The lack of an independent initial and on-going inventory of truck supplies, and not providing secure storage for off-duty trucks, raises concerns when a Facilities employee leaves County employment. For example, when an employee recently terminated employment with the Facilities department, Facilities Management compiled a list of supplies and tools in the employee's county-issued work truck; however, when Internal Audit attempted to verify the termination checklist the Department did not know if the tools in the truck were an accurate accounting of the tools purchased by the employee. From February 2005 to April 2010 this employee conducted transactions totaling approximately \$192, 637 using his p-card.

Also, a new employee receiving this truck, and his Supervisor, informed Internal Audit there were very few tools in the truck, which contradicted the termination checklist. Internal Audit informed Facilities of this discrepancy and the Director is currently investigating this incident.

The Facilities Director informed Internal Audit the Department does not have the staff or room to properly maintain inventory.

Recommendations

- 7. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, comprehensive inventory policies for durable goods purchased for department operations, regardless of*

the purchasing method used (requisition or p-cards), that include tagging or bar coding, secure storage, controlled distribution and thorough accounting and reconciliation. If necessary, the Director should assign a Maintenance Supervisor to assist with these duties.

- 8. To maintain better control over tool purchasing, the Facilities Management Director should issue a set of basic tools to employees and provide replacement tools when needed. More costly power tools already purchased by individual employees should be inventoried and monitored by the Maintenance Supervisor or Inventory Manager.*
- 9. The Facilities Director should work with County Management to designate an area that can be prepared as an inventory receiving/storage/distribution location.*
- 10. The Facilities Management Director should research the capabilities of the Maintenance Connection software application purchased by Facilities and determine if the application could be more effectively utilized to manage and track materials and labor resources. Maintenance Connection contains a bar code module.*

E. Additional training is needed to establish comprehensive departmental control procedures for the p-card process

The use of p-cards by Facilities employees essentially shifted nearly all of the purchasing responsibilities for items under \$10,000 dollars from County Purchasing division staff, specially trained to implement the purchasing process, to Facilities administrative personnel.

It was evident during the course of this audit that Facilities management and administrative personnel would have benefitted from additional training to help establish comprehensive departmental control procedures for the p-card process.

Internal audit reviewed recent training provided to Facilities employees by the Purchasing division and confirmed training was limited to informing individual p-card holders about county-wide p-card policies and procedures. This type of training does not cover other control issues, such as ensuring the best value for the County or requiring purchases are reconciled to work orders, for example.

During our assessment of controls over assets purchased with p-cards, we evaluated the Maintenance Connection software used by the department and concluded additional training may be needed to prepare staff to fully utilize the capabilities the software offers. However, further analysis to confirm this suggestion was beyond the scope of this audit.

Recommendation

11. The Facilities Management Director should regularly assess the training needs for all department employees and work with appropriate County departments to ensure employees receive all identified training.

Evaluation of Management Responses

In the following Management Response matrix Facilities Management entered a conflicting Yes/No concurrence response for recommendations 2, 3, and 4. Internal Audit reviewed the Action Plan for implementing these recommendations and determined the plans submitted are sufficient to implement these recommendations.

**Facilities Management Procurement
Management Response and Action Plan**

| Audit Recommendation | Concur Y/N | Action Plan | Target Date | Individual Responsible |
|--|------------|--|-------------|--|
| <p>1. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, uniform practices for acceptable documentation of employee purchase card transactions, including:</p> <p><i>a.</i> Requiring employees to ensure receipts, and other supporting documents, for purchase card transactions include a description of each item purchased. If necessary, item descriptions should be handwritten by the employee on the documents.</p> <p><i>b.</i> Providing employees with a document file (e.g. folder, box, plastic bag) to protect purchase receipts and documents prior to presenting to administrative staff.</p> | Yes | <p>Facilities will work with ACM and Finance to create new policies, procedures and trainings to ensure receipts, and other supporting documents, for purchase card transactions include a description of each item purchased requiring handwritten item descriptions by the employee on the documents if necessary.</p> <p>Facilities will provide employees with a document file (e.g. folder, box, plastic bag) to protect purchase receipts and documents prior to presenting to administrative staff.</p> | 12-31-10 | Director or designee working with ACM and Finance. |

| Audit Recommendation | Concur Y/N | Action Plan | Target Date | Individual Responsible |
|---|------------|---|-------------|--|
| <p>2. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, policies and procedures for a formal purchase authorization process that includes:</p> <ul style="list-style-type: none"> a. A requirement that all purchases over a pre-determined dollar limit receive documented approval by an employee's Supervisor or the Department Director prior to purchase, and/or consider establishing single purchase limits. b. A requirement to obtain prior verbal authorization for all emergency purchases. c. A requirement that Supervisors with knowledge of resources used at job sites review and approve/sign monthly purchase card statements. d. A requirement that a Supervisor or the Director review and approve Administrative staff's monthly p-card statements. Discontinue the practice of allowing Administrative staff to review and approve their own monthly p-card statements. e. A requirement that all employees review and sign their own monthly statements. f. Periodic review of monthly statements by Management to determine if employees' individual monthly spending limits need to be adjusted. | Yes/No | <p>Facilities will work with ACM and Finance in a team approach, referencing "Best Practice" examples from other Governmental agencies to help clearly define Procurement policies and procedures, and to develop purchasing tiers to address supervisory approval requirements in order to address the following:</p> <ol style="list-style-type: none"> 1. Require that all purchases over a pre-determined dollar limit receive documented approval by an employee's Supervisor or the Department Director prior to purchase, and/or establish a single purchase limits. 2. Require prior verbal authorization for all emergency purchases. 3. Director review and approval of Administrative staff's monthly p-card statements. 4. Require all employees review and sign their monthly statements. 5. Require Director/Supervisor review of monthly statements to determine if employees' individual monthly spending limits need to be adjusted <p>Facilities will also work with ACM to restructure employee to supervisory ratio to provide better distribution for authorizations and reviews.</p> | 12-31-10 | Director or designee working with ACM and Finance. |

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| <p>3. The Facilities Director should consider establishing, in compliance with existing Pinal County purchasing regulations, open purchase orders with vendors used to purchase higher dollar items (i.e. air conditioners, etc.) or frequently purchased items.</p> | Yes/No | <p>Facilities will work with ACM, Budget and Finance to develop a flexible open P.O. method of procurement that does not red flag the department budget at status check points. This may include developing a set level of funding encumbered and maintained at specific vendors.</p> | 12-31-10 | <p>Director or designee working with ACM, Budget and Finance.</p> |
| <p>4. The Facilities Management Director should require random supervisory inspection of job sites and resources utilized; and require inspection of all job sites when resources expended exceed a defined dollar amount.</p> | Yes/No | <p>Facilities will work with ACM and Finance on refining existing practices and creating policy to incorporate random supervisory job inspections and site inspections when resources expended exceed a \$1,000 dollar amount.</p> | 12-31-10 | <p>Director or designee working with ACM and Finance.</p> |
| <p>5. The Facilities Management Director should require a timely reconciliation of purchases to a corresponding job or work order. The reconciliation would not include indirect supplies purchased.</p> | Yes | <p>Facilities has met with Budget and is developing a quarterly process for reimbursements for Modification Projects and some special projects. Facilities will incorporate fund reconciliation for Modifications into the existing Timeline Template. All purchase receipts shall require work order numbers or job numbers so they may be attached to bank statements. This will be identified in the Facilities P-card policy.</p> | 12-31-10 | <p>Director or designee working with ACM, Budget and Finance.</p> |

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| <p>6. The Facilities Management Director should restrict purchasing of non-emergency stock materials (refrigerant, compressors, motors, etc.) to a Maintenance Supervisor or designated Inventory Manager. Purchases of emergency stock items over a pre-determined dollar amount should be approved by the Inventory Manager or the department Director. This would also limit the frequency of employee trips to vendor locations.</p> | Yes | <p>HVAC Staff is currently working on procedures for Purchasing, storing and distributing these items. Facilities will request the addition of an HVAC Supervisor to provide accountability for this field of service. This would create a 1 to 5 ratio of supervision. This supervisor will oversee all HVAC Staff, HVAC inventory management, specified purchase amounts and approvals, task delegations, contractor scheduling, Equipment Preventive Maintenance related Data Collection and input and warranties etc. Currently Facilities has 1 Supervisor that oversees the activities of 25 employees.</p> | 12-31-10 | Director or designee working with ACM and Finance. |
| <p>7. The Facilities Management Director should develop, in compliance with existing Pinal County purchasing regulations, comprehensive inventory policies for durable goods purchased for department operations, regardless of the purchasing method used (requisition or p-cards), that include tagging or bar coding, secure storage, controlled distribution and thorough accounting and reconciliation. If necessary, the Director should assign a Maintenance Supervisor to assist with these duties.</p> | Yes | <p>Facilities will work with ACM and Finance to discuss clarification on purchasing policies and to set specific guidelines for tagging, and inventory. We will discuss the feasibility of an inventory warehouse with additional staff to manage the controlled distribution and thorough accounting and reconciliation.</p> | 12-31-10 | Director or designee working with ACM and Finance. |

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| <p>8. To maintain better control over tool purchases, the Facilities Management Director should issue a set of basic tools to employees and provide replacement tools when needed. More costly power tools already purchased by individual employees should be inventoried and monitored by the Maintenance Supervisor or Inventory Manager.</p> | Yes | Facilities will inventory existing assigned tools to create a list of common tools assigned. Tool purchases will follow the department tool inventory and purchase policy currently in draft form. | 12-31-10 | Director or designee working with ACM and Finance. |
| <p>9. The Facilities Director should work with County Management to designate an area that can be prepared as an inventory receiving/storage/distribution location.</p> | Yes | Facilities will work with ACM to discuss the feasibility of an inventory warehouse with additional staff to manage the controlled distribution and thorough accounting and reconciliation of purchases. Facilities will develop and submit a proposal for supplemental funding for 2011-2012 fiscal year. | 12-31-10 | Director or designee working with ACM |
| <p>10. The Facilities Management Director should research the capabilities of the Maintenance Connection software application purchased by Facilities and determine if the application could be more effectively utilized to manage and track materials and labor resources. Maintenance Connection contains a bar code module.</p> | Yes | Facilities has met with I.T. Staff. The On Base Program was recommended for the documentation of purchases however, there were some functions of the Maintenance Connection that could be used for Inventory identification and locations and warranties. We will be following up with I.T. Staff to coordinate the process of scanning invoices and other documentation. | 12-31-10 | Director or designee working with I.T. and ACM |
| <p>11. The Facilities Management Director should regularly assess the training needs for all department employees, and work with appropriate County departments to ensure employees receive all identified training.</p> | Yes | Facilities will implement policy to send new employees, and employees who become in violation of policy, to receive procurement training. | 12-31-10 | Director or designee working with ACM and Finance. |