

Internal Audit Report



Purchasing Operations Review



Contents

Auditor’s Conclusion 4

Audit Profile 5

Fieldwork Report..... 6

Auditor's Conclusion

May 12, 2020

Internal Audit has completed all procedures for the Purchasing Operations Review Parts 1 and 2. We conducted these engagements as part of our 2018 and 2019 Annual Audit Plans, respectively.

The engagement audit objectives from both engagements were to:

- Ascertain the existence and effectiveness of internal controls.
- Determine compliance with established policies and procedures.
- Evaluate the efficiency and effectiveness of citywide purchasing processes.
- Assess the effectiveness of our software acquisition process and procurement controls for complex IT systems¹.

To these ends, Internal Audit:

- Reviewed City purchasing processes, policies, and procedures.
- Evaluated the existence and effectiveness of purchasing internal controls.
- Evaluated the efficiency and effectiveness of citywide purchasing processes.
- Assessed staff compliance with purchasing processes, policies, and procedures.
- Evaluated the control design for complex IT system acquisitions.

Internal controls consist of all the measures taken by management to:

- Protect its resources against accidental loss, waste, fraud, and inefficiency.
- Ensure the completeness, accuracy, timeliness, and reliability of accounting and operating data.
- Ensure compliance with federal, state, and local laws, regulations, and internal policies and procedures.
- Promote efficient and effective operations.
- Monitor the achievement of management's goals and objectives.

It is our conclusion, based upon the results of our engagement procedures, that staff are in compliance with established policies and procedures for purchases of all types, inclusive of complex IT system acquisitions. Purchasing controls and processes are operating effectively. Internal Audit made recommendations in regard to the efficiency of operations, which Purchasing Services is currently working to implement. We detailed those recommendations in the attached Part 1 report. We thank Purchasing Services management and staff for their cooperation during this engagement.

Wayne C Sommer

Wayne C. Sommer
Internal Audit Manager

¹ Requested by the M&F Committee (City Audit Committee).

Audit Profile

Audit Team

Wayne Sommer, CPA, CGMA – Internal Audit Manager

Sheree Van Buren, CIA – Lead Engagement Auditor

Background

The Purchasing Services Division provides procurement management services for all City departments' purchasing needs. Purchasing Services works with all City departments and City Council to ensure adherence to purchasing guidelines and policies.

During the two years under review, Purchasing Services issued 2,832 purchase orders totaling over \$351 million. Purchasing Services manages purchases of all types, including routine and emergency purchases. There are also processes in place to manage and correct purchases that violate standard protocols.

Scope

Our audit work covers the period from January 1, 2017 through December 31, 2018.

Milestone Reports

Milestone 1 Entrance Conference Letter
Milestone 2 Client Evaluation
Milestone 3 Process Controls and Efficiency
Milestone 4 Risks
Milestone 5 Engagement Letter
Fieldwork

Issued Date

October 3, 2018
October 23, 2019
October 23, 2019
October 23, 2019
July 8, 2019
May 12, 2020



**Fieldwork Report
Purchasing Operations Review – Part 2**

Fieldwork

In Fieldwork, we seek sufficient and appropriate evidence to afford a reasonable basis for our conclusions on the engagement objectives. We accomplish this by performing tests, analyzing data, and conducting other procedures as necessary.

OBJECTIVES	CONCLUSIONS
<ul style="list-style-type: none"> • <i>Determine staff compliance with established policies and procedures.</i> 	<p>When planning our audit sample:</p> <ul style="list-style-type: none"> • We selected a 3% tolerable deviation rate, with zero expected errors. • We desired a 95% confidence level that if we tested 100% of the purchasing order population of 2017 and 2018, the results would be within +/- 5% of the sampled population results. <p>Internal Audit found no errors in the random sample of 99 purchases.</p> <p>City staff is in compliance with purchasing processes and policies. The efficiency and effectiveness of citywide purchasing processes can be improved. Internal Audit has already made recommendations to that effect in Part 1 of this engagement.</p>
<ul style="list-style-type: none"> • <i>Assess the effectiveness of our software acquisition process and procurement controls for complex IT systems. (As requested by the M&F Committee.)</i> 	<p>The process and procurement controls for acquiring complex IT systems are operating effectively as designed.</p>